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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH - Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

ORIGINAL

Arizona Corporation Commission

DOCKETED

FEB 23 2015

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
TONTON BASIN WATER CO., INC. FOR
APPROVAL OF AN ADJUSTMENT IN THE
EXISTING RATES CHARGED BY THE
COMPANY.

DOCKET NO. W-03515A-14-0310

**STAFF'S NOTICE OF
FILING DIRECT TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Direct Testimony of
Briton Baxter and Michael S. Thompson in the above-captioned docket.

RESPECTFULLY SUBMITTED this 23rd day of February 2015.

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Arizona Corporation Commission
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Original and thirteen (13) copies
of the foregoing filed this 23rd day
of February, 2015, with:

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Copy of the foregoing emailed/mailed
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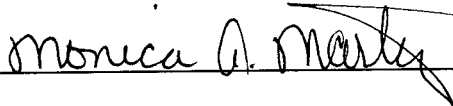
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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH

Chairman

BOB STUMP

Commissioner

BOB BURNS

Commissioner

DOUG LITTLE

Commissioner

TOM FORESE

Commissioner

IN THE MATTER OF THE APPLICATION OF)
TONTO BASIN WATER COMPANY, INC. FOR)
A PERMANENT INCREASE IN ITS RATES)
AND CHARGES)
_____)

DOCKET NO. W-03515A-14-0310

DIRECT

TESTIMONY

OF

BRITON A. BAXTER

PUBLIC UTILITIES ANALYST IV

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

FEBRUARY 23, 2015

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EXECUTIVE SUMMARY
TONTO BASIN WATER COMPANY, INC.
DOCKET NO. W-03515A-14-0310

Tonto Basin Water Company, Inc. ("Tonto Basin" or "Company") is an Arizona Class C utility engaged in the business of providing water service in portions of Gila County and Pinal County, Arizona. Tonto Basin serves approximately 900 customers. The Company's current rates were approved in Decision No. 62401, dated January 31, 2000.

The Company proposes an increase of \$254,278, or 82.78 percent over test year revenue of \$307,175, to \$561,453. The Company's proposal results in operating income of \$75,175 for a 12.00 percent rate of return on its proposed Original Cost Rate Base ("OCRB") of \$626,459. The Company's proposed rates would increase the typical residential bill with a median usage of 3,205 gallons from \$20.97 to \$35.57, for an increase of \$14.60 or 69.62 percent.

Staff recommends an \$187,128 or 60.92 percent revenue increase over the test year revenues of \$307,175 to \$494,303. Staff's recommended revenue results in an operating income of \$56,830 for a rate of return of 10.00 percent on Staff's adjusted OCRB of \$568,299. Staff's recommended rates would increase the typical residential bill with a median usage of 3,205 gallons from \$20.97 to \$32.52, for an increase of \$11.55 or 55.10 percent.

Staff recommends:

1. The Commission approves the Staff-recommended rates and charges as shown in Schedule BAB-19.
2. That JW Water Holdings be directed to charge direct expenses, such as the salaries and wages of the two system operators, chemicals, water testing, bad debts, etc. directly to the Company rather than being allocated.
3. That JW Water Holdings use a 4-factor allocation to charge indirect costs to the Company.
4. That the Company maintain appropriate records that better demonstrate all plant additions and retirements.
5. The Company, as a Compliance item in this docket, file with Docket Control within 90 days of the effective date of the decision in this proceeding a signed affidavit attesting to the fact that the Company purchased all of the unsupported plant noted by Staff in this proceeding.
6. The depreciation rates listed in Table J of the Engineering Report.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Briton A. Baxter. I am a Public Utilities Analyst IV employed by the Arizona
4 Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My
5 business address is 1200 West Washington Street, Phoenix, Arizona 85007.
6

7 **Q. Briefly describe your responsibilities as a Public Utilities Analyst IV.**

8 A. I am responsible for the examination and verification of financial and statistical information
9 included in utility rate and other applications. In addition, I develop revenue requirements,
10 and prepare written reports, testimonies, and schedules that include Staff recommendations
11 to the Commission. I am also responsible for testifying at formal hearings on these matters.
12

13 **Q. Please describe your educational background and professional experience.**

14 A. In 2003, I graduated from Northern Arizona University, receiving a Bachelor of Science
15 degree in Accountancy with a public accounting certificate. Prior to joining the Commission
16 in 2013, I spent 10 years with the Arizona Office of the Auditor General. I have experience
17 conducting performance audits of school districts and preparing statewide reports on
18 classroom spending which required a large amount of data collection, validation and analysis.
19 Since joining the Commission in October of 2013, I have completed three water rate cases
20 and a prudence review for a regulated natural gas company to build a Liquid Natural Gas
21 facility as well as attended various trainings on rate making topics including the National
22 Association of Regulatory Utility Commissioners ("NARUC") Utility Rate School in May of
23 2014.
24

1 **Q. What is the scope of your testimony in this case?**

2 A. I am presenting Staff's analysis and recommendations in the areas of rate base and operating
3 revenues, expenses, and rate design regarding the Tonto Basin Water Company ("Tonto
4 Basin" or "Company") application for a permanent rate increase. Staff witness, Michael
5 Thompson, is presenting Staff's engineering analysis and recommendations.
6

7 **Q. What is the basis of your recommendations?**

8 A. I performed a regulatory audit of the Company's application to determine whether sufficient,
9 relevant, and reliable evidence exists to support the Company's requested rate increase. The
10 regulatory audit consisted of examining and testing the financial information, accounting
11 records, and other supporting documentation and verifying that the accounting principles
12 applied were in accordance with the Commission-adopted NARUC Uniform System of
13 Accounts ("USOA") and Generally Accepted Accounting Principles ("GAAP").
14

15 **BACKGROUND**

16 **Q. Please provide a brief description of Tonto Basin and the service it provides.**

17 A. Tonto Basin is an Arizona Class C utility engaged in the business of providing potable water
18 service in portions of Gila County and Pinal County, Arizona. Tonto Basin serves about 900
19 customers. The Company's current rates were approved in Decision No. 62401, dated
20 January 31, 2000.
21

22 **Q. Who was the parent company of Tonto Basin during the test year?**

23 A. JW Water Holdings, LLC ("JW Water") was Tonto Basin's parent company during the entire
24 test year.
25

1 **Q. How many utilities does JW Water own?**

2 A. According to JW Water, they own three utility companies: Navajo Water Company, Inc.
3 ("Navajo"), Payson Water Company, Inc. ("Payson"), and Tonto Basin.
4

5 **CONSUMER SERVICE**

6 **Q. Please provide a brief history of customer complaints received by the Commission**
7 **regarding Tonto Basin.**

8 A. A Staff search of the Consumer Services database reveals the following from January 1, 2012
9 through current:
10

- 11 • **2015** – Two opinions opposed to the rate case
- 12 • **2014** – Two complaints (one billing and one quality of service), eight opinions all opposed
13 to the rate increase
- 14 • **2013** – Nine complaints (two service, six quality of service, and one
15 disconnect/termination)
- 16 • **2012** – 28 complaints (three billing, one deposit, one new service, two service, 17 quality of
17 service, and four disconnect/termination)
18

19 All complaints have been resolved and closed.
20

21 **COMPLIANCE**

22 **Q. Please provide a summary of the ACC compliance status of Tonto Basin.**

23 A. A check of the Compliance database indicates that there are currently no delinquencies for
24 Tonto Basin.
25

SUMMARY OF PROPOSED REVENUES

Q. Please summarize the Company's filing.

A. The Company proposes a \$254,278, or 82.78 percent, revenue increase from \$307,175 to \$561,453. The proposed revenue increase would produce an operating income of \$75,175 for a 12.00 percent rate of return on an original cost rate base ("OCRB") of \$626,459. The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 3,205 gallons from \$20.97 to \$35.57, for an increase of \$14.60 or 69.62 percent.

Q. Please summarize Staff's recommended revenue.

A. Staff recommends an \$187,128, or 60.92 percent, revenue increase from \$307,175 to \$494,303. Staff's recommended revenue increase would produce an operating income of \$56,830 for a 10.00 percent rate of return on a Staff adjusted OCRB of \$568,299 as shown on Schedule BAB-1. Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 3,205 gallons from \$20.97 to \$32.52, for an increase of \$11.55 or 55.10 percent.

Q. What test year did Tonto Basin utilize in this filing?

A. Tonto Basin's test year is based on the twelve months ended June 30, 2014.

Q. Please summarize Staff's rate base and operating income adjustments for Tonto Basin.

A. Staff's testimony discusses the following adjustments:

1 **Rate Base Adjustments**

2 Structures & Improvements – This adjustment decreases rate base by a net of \$97,244 to
3 reflect the reclassification of an arsenic treatment plant and well upgrades that were
4 improperly included in this account, plus the addition of some work including the removal
5 and replacement of a damaged well house, two concrete pads, and other various work.

6
7 Wells & Springs – This adjustment increases rate base by a net of \$360,014 to reflect the
8 reclassification of a well drilled in 2008 in the North Bay Estates system that was improperly
9 included in the Other Tangible Plant and some well upgrades improperly included as
10 structures & improvements.

11
12 Electric Pumping Equipment – This adjustment increases rate base by a net of \$6,182 to
13 reflect the reclassification of a booster pump added in 2006 and a pump added in 2007 as well
14 as the removal of some repairs and maintenance expenses that were improperly capitalized
15 prior to the test year.

16
17 Water Treatment Equipment – This adjustment increases rate base by a net of \$181,837 to
18 reflect reclassification of an arsenic treatment plant that was improperly included in another
19 account, as well as the proper classification of existing water treatment equipment in the
20 proper sub-account.

21
22 Distribution Reservoirs & Standpipes – This adjustment increases rate base by a net of
23 \$51,883 to reflect storage tanks and other assets not previously included in plant,
24 reclassification of onsite improvements, and water main extensions that were improperly
25 included in this account, as well as the proper classification of existing tanks in the proper
26 sub-accounts.

1 Transmission & Distribution Mains – This adjustment increases rate base by a net of \$52,335
2 to reflect reclassification of water main extensions that were improperly included in another
3 account.

4
5 Services – This adjustment increases rate base by a net of \$15,569 to reflect service lines for
6 new customers that were not previously added to plant, as well as the reclassification of
7 service lines improperly included in another account and repair and maintenance expenses
8 included as plant in the test year that had already been added to expenses by the Company
9 but not removed from rate base.

10
11 Meter & Meter Installations – This adjustment increases rate base by a net of \$29,206 to
12 reflect the meters and meter related costs that had not previously been added to rate base.

13
14 Miscellaneous Equipment – This adjustment increases rate base by a net of \$839 to reflect the
15 reclassification of a 3-phase overload motor that had been improperly included in the Other
16 Tangible Plant account.

17
18 Other Tangible Plant – This adjustment decreases rate base by a net of \$323,323 to reflect the
19 reclassification of a well drilled in 2008 in the North Bay Estates system and a 3-phase
20 overload motor.

21
22 Unsupported Plant Treated As Contributions In Aid of Construction (“CIAC”) – This
23 adjustment decreases rate base by a net of \$189,981 to reflect the unsupported cost of plant
24 additions placed in service between 2001 and the test year, while the Company was under
25 different ownership. The adjustment is composed of the net of a \$241,095 increase to CIAC
26 and a \$51,114 increase to amortization of CIAC.

1 Allowance for Cash Working Capital – This adjustment decreases rate base by \$40,435 to
2 reflect the Company's use of the formula method of cash working capital rather than using a
3 lead-lag study which is Staff's recommended method for Class C utilities.

4
5 Accumulated Depreciation – This adjustment decreases rate base by \$105,042 to reflect the
6 impact of Staff's recalculation of accumulated depreciation based on Staff adjustments to rate
7 base and use of the proper depreciation rates.

8
9 **Operating Income Adjustments**

10 Salaries and Wages – This adjustment decreases salaries and wages expense by \$8,880 to
11 reflect actual direct time charged for the two system operators, Staff's recommended use of
12 the 4-factor allocation method for non-direct time, and to remove the allocated labor
13 expenses for the office administrator that were included in the management fee so that the
14 rate payers are not paying for them twice.

15
16 Repairs and Maintenance Expense – This adjustment decreases repairs and maintenance
17 expense by \$2,901 to reflect correction of a yearend journal entry that increased expenses
18 beyond what Staff believes is appropriate.

19
20 Water Testing Expense – The adjustment decreases water testing expense by \$1,514 to reflect
21 an appropriate cost level for the Monitoring Assistant Program ("MAP") and other water
22 testing (see Engineering Report).

23
24 Regulatory Commission Expense – The adjustment decreases regulatory commission expense
25 by \$13,000 to reflect an appropriate cost level for the rate case expense associated with the
26 Company's application.

1 Depreciation Expense – This adjustment decreases depreciation expense by \$10,370 to reflect
2 Staff's calculation of depreciation expense using Staff's recommended depreciation rates and
3 Staff's recommended plant and CIAC balances.

4
5 Property Tax Expense – This adjustment increases property tax expense by \$4,410 to reflect
6 Staff's calculation using the formula method.

7
8 Income Tax Expense – This adjustment increases income tax expenses by \$5,751 to reflect
9 the income tax calculation on Staff's adjusted test year operating loss.

10
11 **RATE BASE**

12 *Fair Value Rate Base*

13 **Q. Did the Company prepare schedules showing the elements of Reconstruction Cost**
14 **New Rate Base?**

15 A. No, the Company did not. The Company's filing treats the OCRB the same as the fair value
16 rate base.

17
18 *Rate Base Summary*

19 **Q. Please summarize Staff's adjustments to Tonto Basin's rate base shown on Schedules**
20 **BAB-3 and BAB-4.**

21 A. Staff's adjustments to Tonto Basin's rate base resulted in a net decrease of \$58,160, from
22 \$626,459 to \$568,299 due to the various adjustments discussed in Staff's testimony.

23

1 *Rate Base Adjustment No. 1 – Structures & Improvements*

2 **Q. Did Staff make any adjustments to the Structures & Improvements account?**

3 A. Yes. As shown on Schedules BAB-4 and BAB-5a, Staff made a net adjustment that decreased
4 the Company's proposed balance in NARUC account no. 304 Structures & Improvements by
5 \$97,244 from \$517,762 to \$420,518. The adjustments include some additions that are not
6 included in the Company's proposed plant balance along with reclassifying some incorrectly
7 recorded plant expenses.

8
9 **Q. How did Staff determine what adjustments were appropriate?**

10 A. Staff reviewed the source documentation provided by the Company and subsequently
11 requested by Staff during the course of its audit.

12
13 **Q. What is the definition of "source documentation"?**

14 A. Source documentation is an original record containing the details to substantiate a transaction
15 entered in an accounting system. For example, the source document for the purchase of a
16 pump would be the supplier's invoice.

17
18 **Q. Were source documents provided in this filing?**

19 A. Yes. As part of the Water Rate Application for Companies under \$250,000 annual revenue
20 that the Company used in this filing, the Company was required to provide all plant invoices
21 above \$150 for the test year and all intervening years since the test year used in the prior rate
22 case, which was June 30, 1998. The Company provided the invoices that it had in its
23 possession, and Staff requested the remaining missing invoices. In response to Staff Data
24 Request ("DR") BAB 2.5 Supplement, the Company provided some additional documents.
25 Staff then performed an audit of the invoices to determine the appropriate amount to include
26 in rate base along with the proper account classifications of the plant additions.

1 **Q. Did Staff identify any plant additions that were not included in the plant balance in**
2 **this filing?**

3 **A.** Yes. As shown on Schedule BAB-5a, Staff identified \$109,947 that was not previously
4 included in the Structures & Improvement account. Staff identified the replacement of a well
5 house building that had been damaged in 2007, two concrete pads that were poured in 2009
6 for new storage tanks, and other onsite improvement work that was supported by the
7 invoices that were provided as part of the audit but not added to the plant balance.

8
9 **Q. What additional corrections were required?**

10 **A.** As shown on Schedule BAB-5a, Staff identified \$14,713 in costs for various onsite
11 improvements that were incorrectly included in the Distribution Reservoirs & Standpipes
12 (account no. 330) and the Transmission & Distribution Mains (account no. 331) that should
13 have been included in the Structures & Improvements account and \$181,837 for the
14 construction of an arsenic treatment facility in the Cactus Forest district in 2010 that the
15 Company improperly recorded as Structures & Improvements that should have been
16 recorded in the Water Treatment Plants (account no. 320.1).

17
18 **Q. Why is correct classification needed?**

19 **A.** Correct classification is needed because Staff is recommending various depreciation rates
20 ranging from 2.0 percent to 20.0 percent depending on the specific account. Reclassification
21 will help ensure that the depreciation expense will be calculated accurately in the future.

22
23 **Q. What is the net impact to plant of the Structures & Improvements reclassifications?**

24 **A.** As shown on Schedules BAB-5a, BAB-5b, BAB-6a, BAB-6b, BAB-6c, and BAB-7b, Staff's
25 reclassification of onsite improvements and the arsenic treatment facility will result in a zero
26 net change to the plant in service balance.

1 **Q. What is Staff's recommendation related to the Structures & Improvements account?**

2 A. Staff recommends reducing plant in service by a net amount of \$97,244 for adjustments made
3 to Structures & Improvements (account no. 304) as shown on Schedules BAB-4 and BAB-5a.
4

5 *Rate Base Adjustment No. 2 – Wells & Springs*

6 **Q. Did Staff reclassify any expenses in the Wells & Springs account?**

7 A. Yes. As shown on Schedules BAB-4 and BAB-5b, Staff made a net adjustment that increased
8 the Company's proposed balance in NARUC account no. 307 Wells & Springs by \$360,014
9 from \$114,504 to \$474,518. The adjustments include some additions that are not included in
10 the Company's proposed plant balance along with reclassifying some incorrectly recorded
11 plant expenses.
12

13 **Q. Were there any recorded plant additions that required correction?**

14 A. Yes. As shown on Schedule BAB-5b, Staff identified \$3,264 for a pump that had been
15 included in the wells & springs account, \$322,484 for a new well that was drilled in 2008 in
16 the North Bay Estates system that had been added to Other Tangible Plant, along with
17 \$40,067 in well improvements in the Cactus Forrest system that had been improperly
18 recorded as structures & improvements.
19

20 **Q. What is the net impact to plant of the well reclassifications?**

21 A. As shown on Schedules BAB-5a, BAB-5b, BAB-5c, BAB-6a, and BAB-8a Staff's
22 reclassification of the pump, new well and well site improvements will result in a zero net
23 change to the plant in service balance.
24

1 **Q. What is Staff's recommendation related to the Wells & Springs account?**

2 A. Staff recommends increasing plant in service by a net amount of \$360,014 for adjustments
3 made to Wells & Springs (account no. 307) as shown on Schedules BAB-4 and BAB-5b.
4

5 *Rate Base Adjustment No. 3 – Electric Pumping Equipment*

6 **Q. Did Staff make any adjustments to the Electric Pumping Equipment account?**

7 A. Yes. As shown on Schedules BAB-4 and BAB-5c, Staff made a net adjustment that increased
8 the Company's proposed balance in NARUC account no. 311 Electric Pumping Equipment
9 by \$6,182 from \$153,262 to \$159,444. The adjustments include some additions that are not
10 included in the Company's proposed plant balance along with reclassifying some incorrectly
11 recorded plant expenses.
12

13 **Q. Did Staff identify any plant additions that were not included in the plant balance in
14 this filing?**

15 A. Yes. As shown on Schedule BAB-5c, Staff identified \$1,803 that was not previously included
16 in the Electric Pumping Equipment account. Staff identified some pumps, pump parts that
17 extended the useful life of the pumps, and air compressors that were supported by the
18 invoices that were provided as part of the audit but not added to the plant balance.
19

20 **Q. What additional corrections were required?**

21 A. As shown on Schedule BAB-5c, Staff identified \$4,379 in costs for a pump and a booster
22 pump that were incorrectly included in the Wells & Springs (account no. 307) and the
23 Distribution Reservoirs & Standpipes (account no. 330) that should have been included in the
24 Electric Pumping Equipment account as well as some repair and maintenance expenses that
25 had been improperly added to plant.
26

1 **Q. What is the net impact to plant of the Electric Pumping Equipment reclassifications?**

2 A. As shown on Schedules BAB-5b, BAB-5c, BAB-6b, and BAB-13, Staff's reclassification of
3 the pumps and repair and maintenance expenses will result in a reduction of \$827 to the plant
4 in service balance.

5
6 **Q. What is Staff's recommendation related to the Electric Pumping Equipment account?**

7 A. Staff recommends increasing plant in service by a net amount of \$6,182 for adjustments made
8 to Electric Pumping Equipment (account no. 311) as shown on Schedules BAB-4 and BAB-
9 5c.

10
11 *Rate Base Adjustment No. 4 – Water Treatment Equipment*

12 **Q. Did Staff make any adjustments to the Water Treatment Equipment account?**

13 A. Yes. As shown on Schedules BAB-4 and BAB-6a, Staff made a net adjustment that decreased
14 the Company's proposed balance in NARUC account no. 320, Water Treatment Equipment
15 by \$8,058 to \$0. This adjustment increases NARUC account no. 320.2, Solutions & Feeders
16 from \$0 to \$8,058 to correctly classify the chlorine treatment equipment in use by the
17 Company to the proper sub-account.

18
19 **Q. Why is it necessary to use the proper Water Treatment Equipment sub-accounts?**

20 A. The Water Treatment Equipment (NARUC account no. 320) has two sub-accounts, 320.1
21 Water Treatment Plants and 320.2 Solutions & Feeders. Plant assets that are recorded in
22 account no. 320.1 generally have a useful life of 30 years and are therefore depreciated at a
23 rate of 3.33 percent per year, while assets recorded in account no. 320.2 have a useful life of
24 five years and are depreciated at 20 percent per year. Because of the very different useful
25 lives and subsequent depreciation rates, it is important to record the Water Treatment
26 Equipment in the proper sub-account so that depreciation can be accurately calculated.

27

1 **Q. Did Staff make any other corrections?**

2 A. Yes. As shown on Schedules BAB-5a and BAB-6a, Staff identified \$181,837 in costs for the
3 construction of an arsenic treatment facility built in the Cactus Forest district in 2010 that the
4 Company improperly recorded as Structures & Improvements that instead should have been
5 recorded in the Water Treatment Plants (account no. 320.1).
6

7 **Q. What is the net impact to plant of the Water Treatment Equipment reclassifications?**

8 A. As shown on Schedules BAB-5a, BAB-5b, and BAB-6a, Staff's reclassification of the arsenic
9 treatment facility will result in a zero net change to the plant in service balance.
10

11 **Q. What is Staff's recommendation related to the Water Treatment Equipment account?**

12 A. Staff recommends increasing plant in service by a net amount of \$181,837 for adjustments
13 made to Water Treatment Equipment (account no. 320), Water Treatment Plants (account
14 no. 320.1) and Solutions & Feeders (account no. 320.2) as shown on Schedules BAB-4 and
15 BAB-6a.
16

17 *Rate Base Adjustment No. 5 – Distribution Reservoirs & Standpipes*

18 **Q. Did Staff make any adjustments to the Distribution Reservoirs & Standpipes account?**

19 A. Yes. As shown on Schedules BAB-4 and BAB-6b, Staff made a net adjustment that
20 decreased the Company's proposed balance in NARUC account no. 330 Distribution
21 Reservoirs & Standpipes by \$89,989 to \$0. This adjustment increases NARUC account no.
22 330.1 Storage Tanks from \$0 to \$47,099, and NARUC account no. 330.2 Pressure Tanks
23 from \$0 to \$23,550 to correctly classify the different tanks in use by the Company to the
24 proper sub-accounts.
25

1 **Q. Please explain why Staff's adjustment to the sub-accounts does not match the**
2 **adjustment from the main account.**

3 A. As discussed in further detail in the following testimony, the Company's balance of \$89,989
4 in the Distribution Reservoirs & Standpipes account includes some plant additions not
5 reported by the Company in the application and some misclassified plant items that Staff is
6 recommending be placed in the correct NARUC accounts. After correcting for these errors
7 Staff is recommending adjusting the remaining balance per the Company.

8
9 **Q. What is Staff's basis for making the sub-account adjustments?**

10 A. Staff's recommended adjustment of the remaining balance is based on the Company's
11 response to Staff DR BAB 4.3, in which the Company estimates that approximately 2/3 of
12 the balance should be applied to storage tanks and the remaining 1/3 to pressure tanks. Staff
13 has determined that this is reasonable and appropriate.

14
15 **Q. Why is it necessary to use the proper Distribution Reservoirs & Standpipes sub-**
16 **accounts?**

17 A. The Distribution Reservoirs & Standpipes (NARUC account no. 330) has two sub-accounts,
18 330.1 Storage Tanks and 330.2 Pressure Tanks. Plant assets that are recorded in account no.
19 330.1 generally have a useful life of 45 years and are therefore depreciated at a rate of 2.22
20 percent per year, while assets recorded in account no. 330.2 have a useful life of 20 years and
21 are depreciated at 5 percent per year. Because of the different useful lives, it is important to
22 record the Distribution Reservoirs & Standpipes assets in the proper sub-account so that
23 depreciation can be accurately calculated.

24

1 **Q. Did Staff identify any plant additions that were not included in the plant balance in**
2 **this filing?**

3 A. Yes. As shown on Schedule BAB-6b, Staff identified \$127,004 that was not previously
4 included in the Distribution Reservoirs & Standpipes account. Staff identified the following:

5
6 **2003** – The Company reported additions of \$14,733 and provided invoices that support
7 \$22,647 a difference of \$7,914

8 **2004** – The Company reported additions of \$2,048 and provided invoices that support \$2,217
9 a difference of \$169

10 **2006** – The Company reported additions of \$2,559 and provided invoices that support
11 \$34,978 a difference of \$32,419

12 **2007** – The Company provided invoices for \$8,600 in water main extension work

13 **2008** – The Company provided invoices for \$2,772 in water main extension work

14 **2009** – The Company provided invoices that show the addition of two 25,000 gallon storage
15 tanks and associated site preparation work in the amount of \$64,583

16 **2010** – The Company provided invoices for \$10,547 in water main extension and surveying
17 work

18
19 **Q. Did Staff make any other corrections?**

20 A. Yes. As shown on Schedules BAB-5a, BAB-5c, BAB-6b, BAB-6c, and BAB-7a, Staff
21 identified a total of \$216,993 that was improperly recorded as Distribution Reservoirs &
22 Standpipes that should have been recorded in other accounts. Staff recommends that
23 \$12,626 in costs for onsite improvements be recorded in the Structures & Improvements
24 (account no. 304). Staff recommends that \$1,942 for a booster pump be recorded in the
25 Electric Pumping Equipment (account no. 307). Staff also recommends that \$116,577 be
26 recorded in the Storage Tanks (account no. 330.1) and \$25,295 be recorded in the Pressure

1 Tanks (account no. 330.2). Further, Staff identified \$54,706 in water main extensions that
2 should have been recorded as Transmission & Distribution Mains (account no. 331). Finally,
3 Staff identified \$5,847 in main line replacement work that should have been recorded as
4 Services (account no. 333).

5
6 **Q. What is the net impact to plant of the Distribution Reservoirs & Standpipes**
7 **reclassifications?**

8 A. As shown on Schedules BAB-5a, BAB-5c, BAB-6b, BAB-6c, and BAB-7a, Staff's
9 reclassification of the onsite improvements, a booster pump, storage tanks, pressure tanks,
10 water main extensions and main line replacement work will result in a zero net change to the
11 plant in service balance.

12
13 **Q. What is Staff's recommendation related to the Distribution Reservoirs & Standpipes**
14 **account?**

15 A. Staff recommends increasing plant in service by a net amount of \$51,883 for adjustments
16 made to Distribution Reservoirs & Standpipes (account no. 330), Storage Tank (account no.
17 330.1) and Pressure Tanks (account no. 330.2) as shown on Schedules BAB-4 and BAB-6b.

18
19 *Rate Base Adjustment No. 6 – Transmission & Distribution Mains*

20 **Q. Did Staff make any adjustments to the Transmission & Distribution Mains account?**

21 A. Yes. As shown on Schedules BAB-4 and BAB-6c, Staff made a net adjustment that increased
22 the Company's proposed balance in NARUC account no. 331 Transmission & Distribution
23 Mains by \$52,335 from \$177,853 to \$230,188.

24

1 **Q. What corrections did Staff make?**

2 A. As shown on Schedules BAB-5a, BAB-6b, BAB-6c, BAB-7a, and BAB-7b, Staff identified a
3 total of \$52,335 that was improperly recorded as Distribution Reservoir & Standpipes that
4 was for main line repair and replacement work that should have been recorded in the
5 Transmission & Distribution Mains (account no. 331).

6
7 **Q. What is the net impact to plant of the Transmission & Distribution Mains**
8 **reclassifications?**

9 A. As shown on Schedules BAB-5a, BAB-6b, BAB-6c, BAB-7a, and BAB-7b, Staff's
10 adjustments to properly classify these assets will result in no change to the plant in service
11 balance.

12
13 **Q. What is Staff's recommendation related to the Transmission & Distribution Mains**
14 **account?**

15 A. Staff recommends increasing plant in service by a net amount of \$52,335 for adjustments
16 made to Transmission & Distribution Mains (account no. 331) as shown on Schedules BAB-4
17 and BAB-6c.

18
19 *Rate Base Adjustment No. 7 – Services*

20 **Q. Did Staff make any adjustments to the Services account?**

21 A. Yes. As shown on Schedules BAB-4 and BAB-7a, Staff made a net adjustment that increased
22 the Company's proposed balance in NARUC account no. 333 Services by \$15,569 from
23 \$27,652 to \$43,221.

24

1 **Q. Did Staff identify any plant additions that were not included in the plant balance in**
2 **this filing?**

3 A. Yes. As shown on Schedule BAB-7a, Staff identified \$10,139 that was not previously
4 included in the Services account. Staff noted that the Company added service lines for a
5 number of new customers in 2002, 2003, 2007 and 2009 that had previously not been added
6 to rate base.
7

8 **Q. What additional corrections were required?**

9 A. As shown on Schedule BAB-7a, Staff identified \$5,847 in costs for the addition of service
10 lines for new customers in 2004 and 2006 that was incorrectly included in the Distribution
11 Reservoirs & Standpipes (account no. 330) that should have been included in the Services
12 account. Staff also identified that \$417 in additions in the test year had already been added to
13 repairs and maintenance expenses by the Company but not removed from rate base.
14

15 **Q. What is the net impact to plant of the Services reclassifications?**

16 A. As shown on Schedules BAB-5c, BAB-6b, BAB-6c, BAB-7a, and BAB-13, Staff's
17 adjustments to properly classify these assets will result in a decrease of \$417 to the plant in
18 service balance.
19

20 **Q. What is Staff's recommendation related to the Services account?**

21 A. Staff recommends increasing plant in service by a net amount of \$15,569 for adjustments
22 made to Services (account no. 333) as shown on Schedules BAB-4 and BAB-7a.
23

1 *Rate Base Adjustment No. 8 – Meters & Meter Installations*

2 **Q. Did Staff make any adjustments to the Meters & Meter Installations account?**

3 A. Yes. As shown on Schedules BAB-4 and BAB-7b, Staff made a net adjustment that increased
4 the Company's proposed balance in NARUC account no. 334 Meters & Meter Installations
5 by \$29,206 from \$161,647 to \$190,853.

6
7 **Q. Did Staff identify any plant additions that were not included in the plant balance in
8 this filing?**

9 A. Yes. As shown on Schedule BAB-7b, Staff identified \$28,922 that was not previously
10 included in the Meters & Meter Installations account. Staff noted that the Company
11 purchased meters, meter boxes and associated installation parts in 2003, 2005, 2007 and 2008
12 that had previously not been added to rate base.

13
14 **Q. What additional corrections were required?**

15 A. As shown on Schedule BAB-7b, Staff identified \$284 in meter boxes and associated
16 installation parts in 2002 that had been improperly recorded in the Transmission &
17 Distribution Mains account.

18 **Q. What is the net impact to plant of the Meters & Meter Installations reclassifications?**

19 A. As shown on Schedules BAB-5a, BAB-6c, and BAB-7b, Staff's adjustments to properly
20 classify these expenses will result in a zero net change to the plant in service balance.

21
22 **Q. What is Staff's recommendation related to the Meters & Meter Installations account?**

23 A. Staff recommends increasing plant in service by a net amount of \$29,206 for adjustments
24 made to Meters & Meter Installations (account no. 334) as shown on Schedules BAB-4 and
25 BAB-7b.

26

Rate Base Adjustment No. 9 – Miscellaneous Equipment

Q. Did Staff make any adjustments to the Miscellaneous Equipment account?

A. Yes. As shown on Schedules BAB-4 and BAB-7c, Staff made a net adjustment that increased the Company's proposed balance in NARUC account no. 347 Miscellaneous Equipment by \$839 from \$3,142 to \$3,981.

Q. What correction did Staff make?

A. As shown on Schedules BAB-7c and BAB-8a, Staff identified \$839 for a 3-phase overload motor purchased in 2006 for the Cactus Forrest system that the Company improperly recorded as Other Tangible Plant that instead should have been recorded in the Miscellaneous Equipment (account no. 347).

Q. What is the net impact to plant of the Miscellaneous Equipment reclassifications?

A. As shown on Schedules BAB-7c and BAB-8a, Staff's reclassification of the motor will result in a zero net change to the plant in service balance.

Q. What is Staff's recommendation related to the Miscellaneous Equipment account?

A. Staff recommends increasing plant in service by a net amount of \$839 for adjustments made to Miscellaneous Equipment (account no. 347) as shown on Schedules BAB-4 and BAB-7c.

Rate Base Adjustment No. 10 – Other Tangible Plant

Q. Did Staff make any adjustments to the Other Tangible Plant account?

A. Yes. As shown on Schedules BAB-4 and BAB-8a, Staff made a net adjustment that decreased the Company's proposed balance in NARUC account no. 348, Other Tangible Plant by \$323,323 from \$329,401 to \$6,078.

1 **Q. What corrections were required?**

2 A. As shown on Schedule BAB-8a, Staff identified \$322,484 in costs for a well that was drilled in
3 the North Bay Estates system in 2008 that was incorrectly added to the Other Tangible Plant
4 account when it should have been added to the Wells & Springs account. Staff also identified
5 \$839 in costs for a 3-phase overload motor purchased in 2006 that should have been added to
6 the Miscellaneous Equipment account.
7

8 **Q. What is the net impact to plant of the Other Tangible Plant reclassifications?**

9 A. As shown on Schedules BAB-5b, BAB-7c, and BAB-8a, Staff's adjustments to properly
10 classify these expenses will result in no change to the plant in service balance.
11

12 **Q. What is Staff's recommendation related to the Other Tangible Plant account?**

13 A. Staff recommends decreasing plant in service by a net amount of \$323,323 for adjustments
14 made to Other Tangible Plant (account no. 348) as shown on Schedules BAB-4 and BAB-8a.
15

16 *Rate Base Adjustment No. 11 – Unsupported Plant Treated as CLAC*

17 **Q. Did the Company provide all of the invoices above for all plant additions since June**
18 **30, 1998?**

19 A. No, the Company was only able to provide some of the invoices for the plant additions since
20 the test year in the last rate case.
21

22 **Q. What reason did the Company give for not providing the invoices?**

23 A. The Company indicated that it was unable to obtain them all from the prior owner.
24

1 **Q. Did the Company attempt to work with the prior owners to get copies of the invoices?**

2 A. Yes. According to the Company, they made several attempts to get copies of the invoices
3 from the prior owners but they were unresponsive or were going to charge a large fee to
4 collect and provide the invoices. So Company personnel made a trip to search for copies of
5 the invoices. They were able to get some additional documentation, but it was still
6 incomplete. Therefore, out of necessity, Staff reached conclusions based on the information
7 in its possession.

8
9 **Q. Are plant costs required to be supported?**

10 A. Yes. Arizona Administrative Code R14-2-610 D.1 states, "Each utility shall keep general and
11 auxiliary accounting records reflecting the cost of its properties . . . and all other accounting
12 and statistical data necessary to give complete and authentic information as to its properties . .
13 ." (emphasis added).

14
15 **Q. Why are invoices needed?**

16 A. Invoices are needed to determine who paid for the plant and if the amount reported on the
17 invoice is the same amount that was added to the plant account total.

18
19 **Q. Does Staff typically recommend that inadequately supported plant costs be treated as**
20 **CIAC?**

21 A. Yes. It is the Company's responsibility to support its claimed costs. If unsupported costs are
22 not removed, ratepayers are at risk of paying for overstated costs.

23
24 **Q. Did Staff recommend that 100 percent of the unsupported plant be treated as CIAC in**
25 **this case?**

26 A. No, Staff recommends that only 30 percent of the unsupported plant be treated as CIAC.

1 **Q. Has Staff conditioned its continued treatment of the unsupported plant on any action**
2 **by the Company?**

3 A. Yes, Staff has conditioned its treatment of this unsupported plant on the requirement that the
4 Company file a signed affidavit stating that it believes the Company actually paid for the
5 unsupported plant. This affidavit should be filed with Docket Control within three months
6 of the effective date of this decision.

7
8 **Q. What is Staff's recommendation?**

9 A. Staff recommends increasing CIAC by \$241,095 and increasing amortization of CIAC by
10 \$51,114 resulting in a net decrease to rate base of \$189,981 as shown in column
11 J on Schedule BAB-4 and column B on Schedule BAB-8b.

12
13 *Rate Base Adjustment No. 12 – Allowance for Working Capital*

14 **Q. What are the components of working capital?**

15 A. The components of working capital as prescribed by the Arizona Administrative Code are
16 cash working capital ("CWC"), materials and supplies, and prepaid expenses.

17
18 **Q. Can total working capital be a negative amount that is deducted from rate base?**

19 A. Yes, this can happen when CWC is negative and larger than the sum of the materials,
20 supplies, and prepayments.

21
22 **Q. How did Tonto Basin calculate the cash working capital?**

23 A. Tonto Basin calculated CWC using the "formula method" which equals one-eighth of the
24 operating expenses less depreciation, taxes, purchased water, and purchased power expenses
25 plus one twenty-fourth of purchased water and purchased power expenses. The Company
26 chose not to conduct a lead-lag study, which is Staff's preferred approach to support working

1 capital for class C utilities, which the Company was classified as, given the timing of when it
2 filed its rate case.

3
4 **Q. Has the Commission recently adopted Staff's recommendation to remove the working**
5 **capital from a Class C water company's rate base because it had not performed a lead-**
6 **lag study?**

7 A. Yes, in Decision No. 72429 dated June 24, 2011, (page 7, beginning at line 16) the
8 Commission adopted Staff's recommendation to remove Southland Utilities Company's
9 working capital because it had not performed a lead-lag study.

10
11 **Q. Is the formula method proposed by the Company a preferred method for calculating a**
12 **working capital allowance?**

13 A. Staff does not recommend the use of the formula method for Class A, B and C size utilities.
14 The formula method always results in a positive outcome. There is no basis for presuming
15 that there is a need for ratepayers to provide a working capital allowance for utilities with
16 reasonable case management practices. In fact, since several relatively large expenses, e.g.
17 property and income taxes, are usually paid long after cash is received from ratepayers, a
18 negative working capital requirement is reasonably expected. Working capital requirements
19 are best determined by a lead-lag study. In the absence of a lead-lag study demonstrating
20 otherwise, there is no basis for assuming a positive working capital requirement exists which
21 the Company's proposed formula method assumes.

22
23 *Rate Base Adjustment No. 13 – Accumulated Depreciation*

24 **Q. Does Staff recommend an adjustment to the Accumulated Depreciation?**

25 A. Yes. Staff recommends increasing the Accumulated Depreciation by \$105,042 from \$742,617
26 to \$847,659 to reflect the Company's use of an unapproved depreciation rate and Staff's
27 recommended plant adjustments.

1 **Q. How did Staff calculate its recommended Accumulated Depreciation?**

2 A. Staff began with the accumulated depreciation balance adopted by the Commission in the last
3 rate case and applied the Commission-authorized depreciation rates to depreciable plant and
4 all documented additions in the intervening years.
5

6 **Q. Did Staff recalculate the Accumulated Depreciation balance using Staff's**
7 **recommended plant balances?**

8 A. Yes. Staff recalculated the accumulated depreciation balance using the plant in service
9 balances that were adjusted by the reclassifications and adjustments Staff made.
10

11 **Q. What is Staff's recommendation?**

12 A. Staff recommends increasing Accumulated Depreciation by \$105,042 as shown on Schedules
13 BAB-4 and BAB-9.
14

15 **OPERATING INCOME**

16 *Operating Income Summary*

17 **Q. What are the results of Staff's analysis of test year revenues, expenses and operating**
18 **income?**

19 A. As shown on Schedules BAB-10 and BAB-11, Staff's analysis resulted in test year revenues of
20 \$307,175, expenses of \$387,083 and an operating loss of \$79,908.
21

22 *Operating Income Adjustment No. 1 – Salaries and Wages*

23 **Q. What is the Company proposing for salaries and wages expense?**

24 A. The Company is proposing salaries and wages expense of \$39,759.
25

1 **Q. Does the Company have any direct employees?**

2 A. No, according to the Company's response to Staff's DRs BAB 1.6 and BAB 1.8, the
3 Company stated there are no direct employees. There are two system operators based in the
4 Payson office and one office administrative employee based in the Denver office who are all
5 JW Water employees that provide services solely for Navajo, Payson, and Tonto Basin.

6
7 **Q. How did the Company arrive at the proposed salaries and wages expense for Tonto
8 Basin?**

9 A. Included as part the application, the Company provided information to support the proposed
10 salaries and wages, where it is allocating 38.08 percent of the \$104,408 in total salaries for the
11 three JW Water employees or \$39,759 to Tonto Basin.

12
13 **Q. Does Staff agree with the Company's allocation of salaries and wages?**

14 A. No.

15
16 **Q. Why does Staff disagree with the allocation?**

17 A. In Staff's DR BAB 4.2, the Company provided timesheet information for the two system
18 operators. JW Water stated that no timesheets were kept for the office administrator. Based
19 on Staff's review of the timesheets, JW Water is tracking the operators' time such that specific
20 details are available by each of the three companies to account for the majority of their time
21 directly. Therefore, JW Water should be charging each Company directly as warranted.

22
23 **Q. Should all of the salaries for the two System Operators be charged directly?**

24 A. No. While there is sufficient detail on the timesheets to determine what time should be
25 directly charged for the majority of their time, overtime is not associated with a specific
26 company. In addition, pay such as sick, vacation, holiday, and on-call along with expenses

1 incurred on behalf of the employees such as social security and Medicare are also not
2 specifically associated with a particular company and therefore should be allocated to all three
3 using an appropriate allocation method.
4

5 **Q. What basis did JW Water use to allocate expenses to Navajo, Payson and Tonto**
6 **Basin?**

7 A. JW Water allocated expenses to Navajo, Payson and Tonto Basin using the single factor of
8 customer counts updated throughout the year using the prior month's counts.
9

10 **Q. Is this an appropriate methodology to use?**

11 A. No. Staff generally recommends using a 4-factor approach to allocating expenses.
12

13 **Q. Why does Staff advocate the use of a 4-factor allocation?**

14 A. Staff believes that using 4 factors creates a more accurate allocation that captures additional
15 variables that also drive shared costs.
16

17 **Q. What 4-factors does Staff recommend for use by JW Water?**

18 A. Staff recommends using customer counts, net plant-in-service, operating expenses, and
19 number of systems where each of these four factors would be given equal weight.
20

21 **Q. Why does Staff recommend the use of customer counts?**

22 A. Staff recommends using customer counts as a factor because services such as billing and
23 meter reading are driven by the number of customers in each company.
24

1 **Q. Why does Staff recommend the use of net plant in service?**

2 A. Staff recommends using net plant in service as a factor because the amount of plant in service
3 has a direct impact on the amount of work required to keep each system running in
4 comparison to the other systems.

5
6 **Q. Why does Staff recommend the use of operating expenses?**

7 A. Staff recommends using operating expenses as a factor because the more expenses there are
8 for a particular company, the more accounting functions that will be required to process and
9 pay vendors.

10
11 **Q. Why does Staff recommend the use of number of systems?**

12 A. Staff recommends using the number of systems as a factor because the number of systems
13 impacts costs due to the time and amount of resources like fuel that it takes to get to a
14 particular system for activities like system monitoring, repairs or meter reading.

15
16 **Q. What is the impact of using Staff's recommended 4-factor allocation?**

17 A. In response to Staff's DR BAB 4.1, the Company provided the customer counts for the test
18 year. Using this information, the allocation percentage relying on this one factor is between
19 38.32 and 39.45 percent with an average of 38.70 percent. As shown on Schedule BAB-12b,
20 using Staff's recommended 4-factors, the allocation rate would be 39.65 percent. Applying
21 Staff's allocation rate does not result in material adjustments in any of the shared cost
22 categories; therefore, Staff does not recommend making any adjustments to the allocated
23 costs for Tonto Basin. However, Staff used its 4-factor allocation amount in allocating the
24 non-direct labor expenses for the two system operators.

25

1 **Q.** Does JW Water track the time spent by the office administrator providing services
2 specifically for each company using a timesheet?

3 A. No.

4
5 **Q.** Should the office administrator's pay be allocated to Navajo, Payson, and Tonto
6 Basin?

7 A. No. According to JW Water, Navajo, Payson and Tonto Basin are charged a management fee
8 of around \$13.00 per customer per month. This fee is based on the costs that JW Water
9 incurs on behalf of the three companies and includes costs for customer billing, management,
10 legal expenses, rent, and other costs. Included in the management fee are payroll expenses,
11 which are for the office administrator. Therefore, the pay for this position should not be
12 allocated to Navajo, Payson, and Tonto Basin as it is already being charged as part of the
13 management fee.

14
15 **Q.** What is Staff's recommendation?

16 A. Staff recommends decreasing salaries and wage expense by \$8,880 as shown on Schedules
17 BAB-11 and BAB-12a. Staff also recommends that the Company use a 4-factor allocation
18 method to allocate shared costs on a going forward basis following a similar approach to that
19 shown on Schedule BAB-12b.

20
21 *Operating Income Adjustment No. 2 – Repairs and maintenance*

22 **Q.** What is the Company proposing for repairs and maintenance expense?

23 A. The Company is proposing repairs and maintenance expense of \$23,221.

24

1 **Q. Did Staff make any adjustments to repair and maintenance expenses?**

2 A. Yes. Staff recommends an adjustment to decrease the Company's proposed repair and
3 maintenance expenses by \$2,901 from \$23,221 to \$20,320.

4
5 **Q. What is the basis for Staff's adjustment?**

6 A. The Company, on the direction of its tax accountant, shifted \$3,318 in costs that had
7 originally been recorded as plant additions to repairs and maintenance expenses. In response
8 to Staff's DR BAB 4.4a, the Company stated that these were for items the tax accountant felt
9 should not be capitalized but that should have been expensed.

10
11 **Q. Does Staff agree with the Company's adjustment?**

12 A. Yes, in part. The Company's response to Staff's DR BAB 4.4b indicates that all invoices
13 associated with this entry had been provided with the original application. Staff reviewed
14 these invoices and, as shown on Schedules BAB-7a and BAB-13, determined that \$417 in
15 Services had been added to plant when they should have been expensed. There were no
16 additional invoices that supported the full \$3,318 amount of the journal entry.

17
18 **Q. What is Staff's recommendation?**

19 A. Staff recommends decreasing repairs and maintenance expense by \$2,901 as shown on
20 Schedules BAB-11 and BAB-13.

21
22 *Operating Income Adjustment No. 3 – Water testing expense*

23 **Q. What amount for water testing did the Company propose for the test year?**

24 A. The Company is proposing water testing expenses of \$8,823.
25

1 **Q. Did Staff calculate a different amount for water testing expenses?**

2 A. Yes, as discussed in the Staff Engineering Report in Section J on page 8, Staff calculated
3 water testing expenses to be \$7,309, a decrease of \$1,514 from the Company reported \$8,823.

4
5 **Q. What is Staff's recommendation related to Water Testing?**

6 A. Staff recommends decreasing water testing expense by \$1,514 as shown on Schedules BAB-
7 11 and BAB-14.

8
9 *Operating Income Adjustment No. 4 – Regulatory Commission expense*

10 **Q. What amount for regulatory Commission expenses did the Company propose for the**
11 **test year?**

12 A. In its original filing, the Company proposed total rate case expenses of \$18,000 to be
13 amortized over three years, or \$6,000 per year. On February 4, 2015, the Company
14 responded with a supplemental response to Staff's DR BAB 1.26 where it has revised the
15 total rate case expenses to \$75,000 to be amortized over three years, or \$25,000 per year.

16
17 **Q. What is the reason the Company gave for revising its rate case expenses?**

18 A. In its supplemental response, the Company stated that the increase in rate case expenses was
19 due to the treatment of the Company under the classification rules that were in effect when it
20 filed its application. The Company is a Class C company which requires a hearing.

21
22 **Q. Does Staff agree with the level of increase?**

23 A. No. While Staff agrees that some increase in rate case expenses is merited due to the fact that
24 the Company expected to conduct this rate case under different circumstances, an increase of
25 more than three times the original request appears excessive. Staff recommends a more

1 reasonable increase to \$36,000 amortized over three years, or \$12,000 per year in rate case
2 expenses.

3
4 **Q. What is Staff's recommendation related to Regulatory Commission Expenses?**

5 A. Staff recommends decreasing the revised regulatory Commission expense by \$13,000 as
6 shown on Schedules BAB-11 and BAB-15.

7
8 *Operating Income Adjustment No. 5 – Depreciation Expense*

9 **Q. What is Tonto Basin proposing for depreciation expense?**

10 A. Tonto Basin is proposing depreciation expense of \$69,076.

11
12 **Q. What adjustment did Staff make to depreciation expense?**

13 A. Staff adjusted depreciation expense to reflect Staff's calculation of depreciation expense using
14 Staff's recommended depreciation rates, plant balances, and CIAC balances. Staff's
15 calculation is shown on Schedule BAB-16.

16
17 **Q. What is Staff's recommendation?**

18 A. Staff recommends decreasing depreciation expense by \$10,370, as shown on Schedules BAB-
19 11 and BAB-16.

20
21 *Operating Income Adjustment No. 6 –Property Tax Expense*

22 **Q. What did the Company propose for property tax expense?**

23 A. The Company proposed \$9,432 for property tax expense.

24

1 **Q. Did Staff make any adjustment to the property taxes?**

2 A. Yes. Staff's adjustment reflects Staff's calculation of the property tax expense using the
3 modified Arizona Department of Revenue Methodology applied to Staff's recommended
4 revenues, as shown on Schedule BAB-17.

5
6 **Q. What is Staff's recommendation?**

7 A. Staff recommends increasing property tax expense by \$4,410, as shown on Schedules BAB-11
8 and BAB-17.

9
10 *Operating Income Adjustment No. 7 – Income Taxes*

11 **Q. What is Tonto Basin proposing for test year income tax expense?**

12 A. Tonto Basin is proposing a negative \$35,821 for income tax expense.

13
14 **Q. Did Staff make any adjustments to test year income tax expense?**

15 A. Yes. Staff's adjustment reflects Staff's calculation of the income tax expense based upon
16 Staff's adjusted test year taxable income/loss.

17
18 **Q. What is Staff's recommendation?**

19 A. Staff recommends increasing income tax expense by \$5,751 as shown on Schedules BAB-11
20 and BAB-18.

21
22 **REVENUE REQUIREMENT**

23 **Q. Did the Company request a revenue requirement based on rate of return?**

24 A. Yes. On supplemental schedule S-6, the Company proposed a cost of capital of 12.0 percent.

25

1 **Q. Did Staff perform its normal cost of capital analysis for this case?**

2 A. No. Based on the size of Tonto Basin, Staff did not perform its normal cost of capital
3 analysis.

4
5 **Q. Does Staff recommend the use of rate base/rate of return methodology to determine**
6 **the Company's revenue requirement?**

7 A. Yes. While Staff did not prepare its normal cost of capital analysis for this case, in recent
8 cases Staff has been recommending a rate of return in the range of 9.5 to 9.8 percent. For
9 Tonto Basin, Staff has rounded the rate of return to 10.0 percent.

10

11 **RATE DESIGN**

12 **Q. Has Staff prepared a schedule summarizing the present, Company proposed, and**
13 **Staff recommended rates and service charges?**

14 A. Yes. Schedule BAB-19 provides a summary of the Company's present, Company's proposed,
15 and Staff's recommended rates.

16

17 **Q. Please summarize the present rate design for Tonto Basin.**

18 A. Customer class is distinguished by meter size. The monthly minimum charges vary by meter
19 size and include no gallons. The commodity rates are based on an inverted two-tier rate
20 design with a break-over point at 4,000 gallons.

21

22 **Q. Please summarize the Company's proposed rate design.**

23 A. Customer class is distinguished by meter size. The monthly minimum charges vary by meter
24 size and include no gallons. The commodity rates are based on an inverted three-tier rate
25 design with break-over points at 4,000 and 10,000 gallons. The Company's proposed rates
26 would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 3,205

1 gallons from \$20.97 to \$35.57, for an increase of \$14.60 or 69.62 percent as shown on
2 Schedule BAB-20.

3
4 **Q. Please summarize Staff's recommended rate design.**

5 A. Customer class is distinguished by meter size. The monthly minimum charges vary by meter
6 size and include no gallons. The commodity rates are based on an inverted three-tier rate
7 design with break-over points at 3,000 and 9,000 gallons. Staff's recommended break-over
8 points are reflective of actual usage. Staff's recommended rates would increase the typical
9 residential 5/8 x 3/4-inch meter bill with a median usage of 3,205 gallons from \$20.97 to
10 \$32.52, for an increase of \$11.55 or 55.10 percent as shown on Schedule BAB-20.

11
12 **Q. Did the Company propose any changes to its Meter and Service Line Charges?**

13 A. No. However, after discussion with Staff, the Company agreed to the lower end of Staff's
14 customary range of charges. Also, since the Company may at times install meters on existing
15 services lines, it would be appropriate for some customers to only be charged for the meter
16 installation. Therefore, Staff recommends separate service line and meter charges as
17 discussed in greater detail in the testimony of Staff witness, Michael Thompson. Both the
18 Company-proposed and the Staff-recommended changes are shown on Schedule BAB-19.

19
20 *Service Charges*

21 **Q. Did the Company propose any changes to the service charges?**

22 A. No.
23

1 **Q. Does Staff recommend the elimination of the \$35 Establishment (After Hours)**
2 **Charge, the \$30 Reconnection (Delinquent and After Hours) Charge, the Re-**
3 **establishment (Within 12 Month After Hours) and to add a \$35 After Hours Charge?**

4 A. Yes, Staff recommends that the Establishment (After-Hours) Charge, the Reconnection
5 (Delinquent and After Hours) Charge and the Re-establishment (Within 12 Months After
6 Hours) Charge should all be eliminated and that an After-Hours charge should be added.
7 Staff agrees that an additional fee for service provided after normal business hours is
8 appropriate when such service is at the customer's request. Such a tariff compensates the
9 utility for additional expenses incurred from providing after-hours service.

10

11 Moreover, Staff concludes that it is appropriate to apply an after-hours service charge in
12 addition to the charge for any utility service provided after hours at the customer's request.
13 For example, under Staff's recommendation, a customer would be subject to a \$25.00
14 Establishment fee if it is done during normal business hours but would pay an additional
15 \$35.00 after-hours fee if the customer requested that the establishment be done after normal
16 business hours.

17

18 **Q. Does this conclude Staff's Direct Testimony?**

19 A. Yes, it does.

Tonto Basin Water Co., Inc.
Docket No. W-03515A-14-0310
Test Year Ended: June 30, 2014

DIRECT TESTIMONY OF BRITON BAXTER

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BAB-7b	<u>RATE BASE ADJUSTMENT NO. 8 - METERS & METER INSTALLATIONS</u>
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Tonto Basin Water Co., Inc.
Docket No. W-03515A-14-0310
Test Year Ended: June 30, 2014

Schedule BAB-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A]	[B]
		COMPANY ORIGINAL COST	STAFF ORIGINAL COST
1	Adjusted Rate Base	\$626,459	\$568,299
2	Adjusted Operating Income (Loss)	(\$106,413)	(\$79,908)
3	Current Rate of Return (L2 / L1)	-16.99%	-14.06%
4	Required Rate of Return	12.00%	10.00%
5	Required Operating Income (L4 * L1)	\$75,175	\$56,830
6	Operating Income Deficiency (L5 - L2)	\$181,588	\$136,738
7	Gross Revenue Conversion Factor	1.4003	1.3685
8	Required Revenue Increase (L7 * L6)	\$254,278	\$187,128
9	Adjusted Test Year Revenue	\$307,175	\$307,175
10	Proposed Annual Revenue (L8 + L9)	\$561,453	\$494,303
11	Required Increase in Revenue (%)	82.78%	60.92%

References:

Column [A]: Company Supplemental Schedule S-1

Column [B]: Staff Schedules BAB-2, BAB-3, BAB-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (L17) + Property Tax Factor (L22)	26.9282%			
5	Subtotal (L3 - L4)	73.0718%			
6	Revenue Conversion Factor (L1 / L5)	1.3685			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (L17)	25.8139%			
9	One Minus Combined Income Tax Rate (L7 - L8)	74.1861%			
10	Uncollectible Rate	0.3272%			
11	Uncollectible Factor (L9 * L10)	0			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.5000%			
14	Federal Taxable Income (L12 - L13)	93.5000%			
15	Applicable Federal Income Tax Rate (L44)	20.6565%			
16	Effective Federal Income Tax Rate (L14 * L15)	19.3139%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	25.8139%			
<u>Calculation of Effective Property Tax Factor:</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (L17)	25.8139%			
20	One Minus Combined Income Tax Rate (L18 - L19)	74.1861%			
21	Property Tax Factor (BAB-17, L24)	1.5021%			
22	Effective Property Tax Factor (L21 * L22)	0.011143236			
23	Combined Federal and State Tax and Property Tax Rate (L17 + L22)		26.9282%		
24	Required Operating Income (Schedule BAB-1, L5)	\$56,830			
25	Adjusted Test Year Operating Income (Loss) (Schedule BAB-10, L30)	(79,908)			
26	Required Increase in Operating Income (L24 - L25)		\$136,738		
27	Income Taxes on Recommended Revenue (Col. [D], L52)	\$17,509			
28	Income Taxes on Test Year Revenue (Col. [B], L52)	(30,070)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$47,579		
30	Recommended Revenue Requirement (Schedule BAB-1, L10)	\$494,303			
31	Uncollectible Rate (L10)	0.3272%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$1,617			
33	Adjusted Test Year Uncollectible Expense	0			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$1,617		
35	Property Tax with Recommended Revenue (BAB-17, L19)	\$16,653			
36	Property Tax on Test Year Revenue (BAB-17, L20)	13,842			
37	Increase in Property Tax Due to Increase in Revenue (BAB-17, L22)		\$2,811		
38	Total Required Increase in Revenue (L26 + L30 + L34 + L37)		\$188,745		
<u>Calculation of Income Tax:</u>					
39	Revenue (Schedule BAB-10, Col. [C], L5 & Sch. BAB-1, Col. [B], L10)	\$307,175	\$187,128	\$494,303	
40	Operating Expenses Excluding Income Taxes	416,148		418,959	
41	Synchronized Interest (L47)	0.00%		0.00%	
42	Arizona Taxable Income (L36 - L37 - L38)	(\$108,973)		\$75,344	
43	Arizona State Income Tax Rate	6.5000%		6.5000%	
44	Arizona Income Tax (L39 * L40)		(\$7,083)		\$4,897
45	Federal Taxable Income (L33 - L35)	(\$101,890)		\$70,447	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	(7,500)		7,500	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	(6,250)		5,112	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	(8,500)		0	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	(737)		0	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	0		0	
51	Total Federal Income Tax		(22,987)		12,612
52	Combined Federal and State Income Tax (L35 + L42)		(\$30,070)		\$17,509
53	Applicable Federal Income Tax Rate (Col. [D], L42 - Col. [B], L42) / [Col. [C], L36 - Col. [A], L36]				20.66%
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule BAB-3, Col. [C], L22)	\$568,299			
55	Weighted Average Cost of Debt	0.00%			
56	Synchronized Interest (L45 * L46)	\$0			

Tonto Basin Water Co., Inc.
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Schedule BAB-3

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	[A]	[B]	REF	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS		STAFF AS ADJUSTED
1	Plant in Service	\$1,716,214	\$277,298	A	\$1,993,512
2	Less: Accumulated Depreciation	742,617	105,042	B	847,659
3	Net Plant in Service	<u>\$973,597</u>	<u>\$172,256</u>		<u>\$1,145,853</u>
4					
5	<u>LESS:</u>				
6					
7	Net Contribution in Aid-of Construction (CIAC)	\$221,746	\$189,981	C	\$411,727
8					
9	Advances in Aid of Construction (AIAC)	126,057	0		126,057
10					
11	Customer Deposits	39,770	0		39,770
12					
13	Total Deductions	<u>\$387,573</u>	<u>\$189,981</u>		<u>\$577,554</u>
14					
15					
16	<u>ADD:</u>				
17	Allowance for Working Capital	40,435	(40,435)	D	0
18					
19	Total Additions	<u>\$40,435</u>	<u>(\$40,435)</u>		<u>\$0</u>
20					
21					
22	Original Cost Rate Base	<u>\$626,459</u>	<u>(\$58,160)</u>		<u>\$568,299</u>

References:

Column [A]: Company Application page 15, and Supplemental Schedule S-2
Column [B]: Schedule BAB
Column [C]: Column [A] + Column [B]

Explanation of Adjustment:

A - For Rate Base adjustment A, see Schedule BAB-4
B - For Rate Base adjustment B, see Schedule BAB-9
C - For Rate Base adjustment C, see Schedule BAB-8b
D - For Rate Base adjustment D, see Schedule BAB-8c

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Structures & Improvements ADI No. 1 Ref. Sch. BAB-5a	[C] Wells & Springs ADI No. 2 Ref. Sch. BAB-5b	[D] Electric Pumping Equipment ADI No. 3 Ref. Sch. BAB-5c	[E] Water Treatment Equipment ADI No. 4 Ref. Sch. BAB-5d	[F] Distribution Reservoirs & Standpipes ADI No. 5 Ref. Sch. BAB-5e	[G] Transmission & Distribution Mains ADI No. 6 Ref. Sch. BAB-5f	[H] Services ADI No. 7 Ref. Sch. BAB-7a	[I] Meters & Meter Installations ADI No. 8 Ref. Sch. BAB-7b	[J] Miscellaneous Equipment ADI No. 9 Ref. Sch. BAB-7c	[K] Other Tangible Plant ADI No. 10 Ref. Sch. BAB-8a	[L] Unsupported Plant ADI No. 11 Ref. Sch. BAB-8b	[M] Allowance for Working Capital ADI No. 12 Ref. Sch. BAB-8c	[N] Accumulated Depreciation ADI No. 12 Ref. Sch. BAB-9	[O] STAFF ADJUSTED
PLANT IN SERVICE:																	
1	301	Organization Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302	Franchise Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	303	Land & Land Rights	5,241	0	0	0	0	0	0	0	0	0	0	0	0	0	5,241
4	304	Structures & Improvements	517,762	(97,244)	0	0	0	0	0	0	0	0	0	0	0	0	420,518
5	307	Wells & Springs	114,504	0	360,014	0	0	0	0	0	0	0	0	0	0	0	474,518
6	311	Electric Pumping Equipment	153,262	0	0	6,182	0	0	0	0	0	0	0	0	0	0	159,444
7	320	Water Treatment Equipment	8,058	0	0	0	(8,058)	0	0	0	0	0	0	0	0	0	0
8	320.1	Water Treatment Plants	0	0	0	0	181,837	0	0	0	0	0	0	0	0	0	181,837
9	320.2	Solutions & Feeders	0	0	0	0	8,058	0	0	0	0	0	0	0	0	0	8,058
10	320.3	Aseptic Remediation Plant	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	330	Distribution Reservoirs & Standpipes	89,989	0	0	0	0	(89,989)	0	0	0	0	0	0	0	0	0
12	330.1	Storage Tank	0	0	0	0	0	116,577	0	0	0	0	0	0	0	0	116,577
13	330.2	Pressure Tanks	0	0	0	0	0	25,295	0	0	0	0	0	0	0	0	25,295
14	331	Transmission & Distribution Mains	177,853	0	0	0	0	0	52,335	0	0	0	0	0	0	0	230,188
15	333	Services	27,652	0	0	0	0	0	0	15,569	0	0	0	0	0	0	43,221
16	334	Meters & Meter Installations	161,647	0	0	0	0	0	0	0	29,206	0	0	0	0	0	190,853
17	335	Hydants	5,269	0	0	0	0	0	0	0	0	0	0	0	0	0	5,269
18	336	Backflow Prevention Devices	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	339	Other Plant & Misc. Equip.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20	340	Office Furniture & Fixtures	116,804	0	0	0	0	0	0	0	0	0	0	0	0	0	116,804
21	340.1	Computer & Software	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	341	Transportation Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	342	Store Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24	343	Tools & Work Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25	344	Laboratory Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	345	Power Operated Equipment	3,421	0	0	0	0	0	0	0	0	0	0	0	0	0	3,421
27	346	Communications Equipment	2,209	0	0	0	0	0	0	0	0	0	0	0	0	0	2,209
28	347	Miscellaneous Equipment	3,142	0	0	0	0	0	0	0	0	0	0	0	0	0	3,981
29	348	Other Tangible Plant	329,401	0	0	0	0	0	0	0	0	839	(323,323)	0	0	0	6,078
30																	
31																	
32																	
33		Gross Utility Plant in Service	\$1,716,214	(\$97,244)	\$360,014	\$6,182	\$181,837	\$51,883	\$52,335	\$15,569	\$29,206	\$839	(\$323,323)	\$0	\$0	\$0	\$1,993,512
34		Less: Accumulated Depreciation	742,617	0	0	0	0	0	0	0	0	0	0	0	0	105,042	847,650
35		Net Utility Plant in Service (L29 - L30)	\$973,597	(\$97,244)	\$360,014	\$6,182	\$181,837	\$51,883	\$52,335	\$15,569	\$29,206	\$839	(\$323,323)	\$0	\$0	(\$105,042)	\$1,145,863
36																	
37		DEDUCTIONS															
38		Contributions in Aid of Construction (CIAC)	\$328,565	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$241,095	\$0	\$0	\$569,660
39		Less: Accumulated Amortization	106,819	0	0	0	0	0	0	0	0	0	0	51,114	0	0	157,933
40		Net CIAC (L32 - L33)	\$221,746	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$189,981	\$0	\$0	\$411,727
41		Advances in Aid of Construction (AIAC)	126,057	0	0	0	0	0	0	0	0	0	0	0	0	0	126,057
42		Customer Meter Deposits	39,770	0	0	0	0	0	0	0	0	0	0	0	0	0	39,770
43		Total Deductions	\$387,573	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$189,981	\$0	\$0	\$577,554
44																	
45		ADDITIONS:															
46		Allowance for Working Capital	\$40,435	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$40,435)	\$0	\$0
47		Total Additions	\$40,435	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$40,435)	\$0	\$0
48																	
49		ORIGINAL COST RATE BASE	\$626,459	(\$97,244)	\$360,014	\$6,182	\$181,837	\$51,883	\$52,335	\$15,569	\$29,206	\$839	(\$323,323)	(\$189,981)	(\$40,435)	(\$105,042)	\$568,999

RATE BASE ADJUSTMENT NO. 1 - STRUCTURES & IMPROVEMENTS

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	304	Structures & Improvements	\$517,762	(\$97,244)	\$420,518

2

3

4

5

6

STAFF ADDITIONS

Act. No.	Description	2001	2002	2007	2009	2010	2011	Total
304	Structures & Improvements		\$1,583	\$6,776	\$13,654	\$87,934		\$109,947

9

10

11

12

13

14

MISCLASSIFIED

Act. No.	Description	2001	2002	2007	2009	2010	2011	Total
304	Structures & Improvements	\$992	\$1,095		\$9,043	(\$168,607)	(\$49,714)	(\$207,191)
307	Wells & Springs					850	39,217	40,067
320.1	Water Treatment Plants					171,340	10,497	181,837
330	Distribution Reservoirs & Standpipes				(9,043)	(3,583)		(12,626)
331	Transmission & Distribution Mains	(992)	(1,379)					(2,371)
334	Meters & Meter Installations		284					284
								\$0

22

REFERENCES:

Column [A]: Company Application pages 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5

Column [B]: Testimony, BAB

Column [C]: Column [A] + Column [B]

Line 17: Cross reference to Schedule BAB-5b.

Line 18: Cross reference to Schedule BAB-6a.

Line 19: Cross reference to Schedule BAB-6b.

Line 20: Cross reference to Schedule BAB-6c.

Line 21: Cross reference to Schedule BAB-7b.

RATE BASE ADJUSTMENT NO. 2 - WELLS & SPRINGS

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	307	Wells & Springs	\$114,504	\$360,014	\$474,518

STAFF ADDITIONS

Act. No.	Description	2007	2008	2010	2011	Total
307	Wells & Springs		\$727			\$727

MISCLASSIFIED

Act. No.	Description	2007	2008	2010	2011	Total
304	Structures & Improvements			(\$850)	(\$49,714)	(\$50,564)
307	Wells & Springs	(3,264)	322,484	850	39,217	359,287
311	Electric Pumping Equipment	3,264				3,264
320.1	Water Treatment Plants				10,497	10,497
348	Other Tangible Plant		(322,484)			(322,484)
						\$0

REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5

Column [B]: Testimony, BAB

Column [C]: Column [A] + Column [B]

Line 14: Cross reference to Schedule BAB-5a.

Line 16: Cross reference to Schedule BAB-5c.

Line 17: Cross reference to Schedule BAB-6a.

Line 18: Cross reference to Schedule BAB-8a.

RATE BASE ADJUSTMENT NO. 3 - ELECTRIC PUMPING EQUIPMENT

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	311	Electric Pumping Equipment	\$153,262	\$6,182	\$159,444

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STAFF ADDITIONS

Act. No.	Description	2003	2005	2006	2007	2008	2009	2012	2013	Test Year	Total
8	311 Electric Pumping Equipment			\$440		\$567			\$74	\$722	\$1,803

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MISCLASSIFIED

Act. No.	Description	2003	2005	2006	2007	2008	2009	2012	2013	Test Year	Total
13	307 Wells & Springs				(\$3,264)						(\$3,264)
14	311 Electric Pumping Equipment	(193)	(94)	1,942	3,264		(268)	(272)			4,379
15	330 Distribution Reservoirs & Standpipes			(1,942)							(1,942)
16											(\$827)

17

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620	Repairs & Maintenance	\$193	\$94				\$268	\$272			\$827
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REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5

Column [B]: Testimony, BAB

Column [C]: Column [A] + Column [B]

Line 13: Cross reference to Schedule BAB-5b.

Line 15: Cross reference to Schedule BAB-6b.

Line 18: Cross reference to Schedule BAB-13.

Tonto Basin Water Co., Inc.
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Schedule BAB-6a

RATE BASE ADJUSTMENT NO. 4 - WATER TREATMENT EQUIPMENT

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	320	Water Treatment Equipment	\$8,058	(\$8,058)	\$0
2	320.1	Water Treatment Plants	0	181,837	181,837
3	320.2	Solutions & Feeders	0	8,058	8,058

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MISCLASSIFIED

Act. No.	Description	2001	2004	2010	2011	Test Year	Total
7							
8	304 Structures & Improvements			(\$172,190)	(\$10,497)		(\$182,687)
9	307 Wells & Springs			850			850
10	320 Water Treatment Equipment	(2,255)	(926)		(2,744)	(2,133)	(8,058)
11	320.1 Water Treatment Plants			171,340	10,497		181,837
12	320.2 Solutions & Feeders	2,255	926		2,744	2,133	8,058
13							\$0

REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB

Column [B]: Testimony, BAB, Engineering report

Column [C]: Column [A] + Column [B]

Line 8: Cross reference to Schedule BAB-5a.

Line 9: Cross reference to Schedule BAB-5b.

RATE BASE ADJUSTMENT NO. 5 - DISTRIBUTION RESEVOIRS & STANDPIPES

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED						
1	330	Distribution Reservoirs & Standpipes	\$89,989	(\$89,989)	\$0						
2	330.1	Storage Tank	0	116,577	116,577						
3	330.2	Pressure Tanks	0	25,295	25,295						
4											
5											
6	STAFF ADDITIONS										
7	Act. No.	Description	2003	2004	2006	2007	2008	2009	2010	Test Year	Total
8	330	Distribution Reservoirs & Standpipes	\$7,914	\$169	\$32,419	\$8,600	\$2,772	\$64,583	\$10,547		\$127,004
9											
10											
11	MISCLASSIFIED										
12	Act. No.	Description	2003	2004	2006	2007	2008	2009	2010	Test Year	Total
13	304	Structures & Improvements						\$9,043	\$3,583		\$12,626
14	311	Electric Pumping Equipment			1,942						1,942
15	330	Distribution Reservoirs & Standpipes	(22,647)	(2,217)	(34,978)	(8,600)	(2,772)	(64,583)	(10,547)	(70,649)	(216,993)
16	330.1	Storage Tank	13,938					55,540		47,099	116,577
17	330.2	Pressure Tanks	1,745							23,550	25,295
18	331	Transmission & Distribution Mains	6,964		29,406	8,600	2,772		6,964		54,706
19	333	Services		2,217	3,630						5,847
20											\$0

REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5

Column [B]: Testimony, BAB, Company response to Staff DR BAB 4.3

Column [C]: Column [A] + Column [B]

Line 13: Cross reference to Schedule BAB-5a.

Line 14: Cross reference to Schedule BAB-5c.

Line 18: Cross reference to Schedule BAB-6c.

Line 19: Cross reference to Schedule BAB-7a.

Tonto Basin Water Co., Inc.
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Schedule BAB-6c

RATE BASE ADJUSTMENT NO. 6 - TRANSMISSION & DISTRIBUTION MAINS

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	331	Transmission & Distribution Mains	\$177,853	\$52,335	\$230,188

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MISCLASSIFIED

Act. No.	Description	2001	2002	2003	2006	2007	2008	2010	Total
7									
8	304 Structures & Improvements	\$992	\$1,095					\$3,583	\$5,670
9	330 Distribution Reservoirs & Standpipes			(22,647)	(33,036)	(8,600)	(2,772)	(10,547)	(77,602)
10	330.1 Storage Tank			13,938					13,938
11	330.2 Pressure Tanks			1,745					1,745
12	331 Transmission & Distribution Mains	(992)	(1,379)	6,964	29,406	8,600	2,772	6,964	52,335
13	333 Services				3,630				3,630
14	334 Meters & Meter Installations		284						284
15									\$0

REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5

Column [B]: Testimony, BAB

Column [C]: Column [A] + Column [B]

Line 8: Cross reference to Schedule BAB-5a.

Line 9-11: Cross reference to Schedule BAB-6b.

Line 13: Cross reference to Schedule BAB-7a.

Line 14: Cross reference to Schedule BAB-7b.

RATE BASE ADJUSTMENT NO. 7 - SERVICES

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	333	Services	\$27,652	\$15,569	\$43,221

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STAFF ADDITIONS									
Act. No.	Description	2002	2003	2004	2006	2007	2009	Test Year	Total
333	Services	\$1,760	\$1,407			\$1,391	\$5,581		\$10,139

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7
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MISCLASSIFIED									
Act. No.	Description	2002	2003	2004	2006	2007	2009	Test Year	Total
311	Electric Pumping Equipment				\$1,942				\$1,942
330	Distribution Reservoirs & Standpipes			(2,217)	(34,978)				(37,195)
331	Transmission & Distribution Mains				29,406				29,406
333	Services			2,217	3,630			(417)	5,430
									(\$417)
620	Repairs & Maintenance							417	417

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12
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14
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16
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REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5
Column [B]: Testimony, BAB
Column [C]: Column [A] + Column [B]
Line 13: Cross reference to Schedule BAB-5c.
Line 14: Cross reference to Schedule BAB-6b.
Line 15: Cross reference to Schedule BAB-6c.
Line 19: Cross reference to Schedule BAB-13.

RATE BASE ADJUSTMENT NO. 8 - METERS & METER INSTALLATIONS

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	334	Meters & Meter Installations	\$161,647	\$29,206	\$190,853

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STAFF ADDITIONS

Act. No.	Description	2002	2003	2005	2007	2008	Total
8	334 Meters & Meter Installations		\$13,776	\$1,973	\$3,317	\$9,856	\$28,922

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MISCLASSIFIED

Act. No.	Description	2002	2003	2005	2007	2008	Total
13	304 Structures & Improvements	\$1,095					\$1,095
14	331 Transmission & Distribution Mains	(1,379)					(1,379)
15	334 Meters & Meter Installations	284					284
16							\$0

REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB
Column [B]: Testimony, BAB
Column [C]: Column [A] + Column [B]
Line 13: Cross reference to Schedule BAB-5a.
Line 14: Cross reference to Schedule BAB-6c.

Tonto Basin Water Co., Inc.
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Schedule BAB-7c

RATE BASE ADJUSTMENT NO. 9 - MISCELLANEOUS EQUIPMENT

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	347	Miscellaneous Equipment	\$3,142	\$839	\$3,981
2					
3					
4					
5					
6	MISCLASSIFIED				
7	Act. No.	Description	2006	Total	
8	347	Miscellaneous Equipment	\$839	\$839	
9	348	Other Tangible Plant	(839)	(839)	
10				\$0	

REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5

Column [B]: Testimony, BAB

Column [C]: Column [A] + Column [B]

Line 9: Cross reference to Schedule BAB-8a.

Tonto Basin Water Co., Inc.
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Schedule BAB-8a

RATE BASE ADJUSTMENT NO. 10 - OTHER TANGIBLE PLANT

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	348	Other Tangible Plant	\$329,401	(\$323,323)	\$6,078
2					
3					
4					
5					
6	MISCLASSIFIED				
7	Act. No.	Description	2006	2008	Total
8	307	Wells & Springs		\$322,484	\$322,484
9	347	Miscellaneous Equipment	839		839
10	348	Other Tangible Plant	(839)	(322,484)	(323,323)
11					\$0

REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5

Column [B]: Testimony, BAB

Column [C]: Column [A] + Column [B]

Line 8: Cross reference to Schedule BAB-5b.

Line 9: Cross reference to Schedule BAB-7c.

RATE BASE ADJUSTMENT NO. II - UNSUPPORTED PLANT TREATED AS CIAC

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Contributions in Aid of Construction (CIAC)	\$328,565	\$241,095	\$569,660
2	Amortization of CIAC	106,819	51,114	157,933
3	Net CIAC	\$221,746	\$189,981	\$411,727

Act. No.	Description	Unsupported Plant - CIAC	Year Transferred to CIAC	Number of Interim Years	Depreciation Rate	Amortization of CIAC
7	304 Structures & Improvements	\$9,660	2008	5.5	3.33%	\$1,769
8	304 Structures & Improvements	301,048	2011	2.5	3.33%	25,062
9	307 Wells & Springs	1,988	2001	12.5	3.33%	828
10	307 Wells & Springs	1,891	2007	6.5	3.33%	409
11	307 Wells & Springs	322,484	2008	5.5	3.33%	59,063
12	311 Electric Pumping Equipment	7,678	2002	11.5	12.50%	7,678
13	311 Electric Pumping Equipment	2,576	2003	10.5	12.50%	2,576
14	311 Electric Pumping Equipment	6,834	2004	9.5	12.50%	6,834
15	311 Electric Pumping Equipment	6,705	2005	8.5	12.50%	6,705
16	311 Electric Pumping Equipment	6,430	2009	4.5	12.50%	3,617
17	311 Electric Pumping Equipment	1,260	2010	3.5	12.50%	551
18	311 Electric Pumping Equipment	32,716	2011	2.5	12.50%	10,224
19	311 Electric Pumping Equipment	584	2012	1.5	12.50%	110
20	320.2 Solutions & Feeders	2,255	2001	12.5	5.00%	1,409
21	320.2 Solutions & Feeders	926	2004	9.5	5.00%	440
22	320.2 Solutions & Feeders	2,744	2011	2.5	5.00%	343
23	331 Transmission & Distribution Mains	1,624	2001	12.5	2.00%	406
24	331 Transmission & Distribution Mains	1,268	2002	11.5	2.00%	292
25	331 Transmission & Distribution Mains	15,663	2003	10.5	2.00%	3,289
26	331 Transmission & Distribution Mains	8,312	2011	2.5	2.00%	416
27	334 Meters & Meter Installations	5,952	2001	12.5	8.33%	5,952
28	334 Meters & Meter Installations	5,886	2002	11.5	8.33%	5,638
29	334 Meters & Meter Installations	14,293	2004	9.5	8.33%	11,311
30	334 Meters & Meter Installations	5,652	2006	7.5	8.33%	3,531
31	334 Meters & Meter Installations	5,670	2009	4.5	8.33%	2,125
32	334 Meters & Meter Installations	3,554	2010	3.5	8.33%	1,036
33	334 Meters & Meter Installations	9,973	2011	2.5	8.33%	2,077
34	334 Meters & Meter Installations	4,411	2012	1.5	8.33%	551
35	345 Power Operated Equipment	919	2006	7.5	5.00%	345
36	345 Power Operated Equipment	566	2008	5.5	5.00%	156
37	346 Communications Equipment	569	2003	10.5	10.00%	569
38	346 Communications Equipment	1,640	2004	9.5	10.00%	1,558
39	347 Miscellaneous Equipment	2,094	2009	4.5	10.00%	942
40	347 Miscellaneous Equipment	1,048	2010	3.5	10.00%	367
41	348 Other Tangible Plant	6,777	2007	6.5	5.00%	2,203
42		\$803,650				\$170,381
43		x 30.00%			x	30.00%
44		\$241,095				\$51,114

REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5
Column [B]: Testimony, BAB
Column [C]: Column [A] + Column [B]

Tonto Basin Water Co., Inc.
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Schedule BAB-8c

RATE BASE ADJUSTMENT NO. 12 - ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Allowance for Working Capital	\$40,435	(\$40,435)	\$0

REFERENCES:

Column [A]: Company Supplemental Schedule S-3

Column [B]: Testimony, BAB

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 13 - ACCUMULATED DEPRECIATION

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1		Accumulated Depreciation	\$742,617	\$105,042	\$847,659
2					
3					
4					
5					
6					
7					
8	301	Organization Costs	\$0	\$0	
9	302	Franchise Costs	0	0	
10	303	Land & Land Rights	5,241	0	
11	304	Structures & Improvements	420,517	101,598	
12	307	Wells & Springs	474,518	169,763	
13	311	Electric Pumping Equipment	159,443	59,695	
14	320	Water Treatment Equipment	0	0	
15	320.1	Water Treatment Plants	181,837	25,849	
16	320.2	Solutions & Feeders	8,058	3,092	
17	330	Distribution Reservoirs & Standpipes	0	0	
18	330.1	Storage Tank	116,577	63,574	
19	330.2	Pressure Tanks	25,295	23,550	
20	331	Transmission & Distribution Mains	230,188	171,892	
21	333	Services	43,221	31,879	
22	334	Meters & Meter Installations	190,853	74,115	
23	335	Hydrants	5,269	1,419	
24	336	Backflow Prevention Devices	0	0	
25	339	Other Plant & Misc. Equip.	116,804	116,804	
26	340	Office Furniture & Fixtures	0	0	
27	340.1	Computer & Software	0	0	
28	341	Transportation Equipment	0	0	
29	342	Store Equipment	0	0	
30	343	Tools & Work Equipment	0	0	
31	344	Laboratory Equipment	0	0	
32	345	Power Operated Equipment	3,421	1,369	
33	346	Communications Equipment	2,209	760	
34	347	Miscellaneous Equipment	3,980	747	
35	348	Other Tangible Plant	6,079	1,551	
			\$1,993,510	\$847,659	

REFERENCES:

Column [A]: Company Application page 15
Column [B]: Testimony, BAB
Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1		<u>REVENUES:</u>					
2	461	Metered Water Sales	\$303,588	\$0	\$303,588	\$187,128	\$490,716
3	460	Unmetered Water Sales	0	0	0	0	0
4	474	Other Water Revenue	3,587	0	3,587	0	3,587
5		Total Operating Revenues	\$307,175	\$0	\$307,175	\$187,128	\$494,303
7		<u>OPERATING EXPENSES:</u>					
8	601	Salaries & Wages	\$39,759	(\$8,880)	\$30,879	\$0	\$30,879
9	610	Purchased Water	0	0	0	0	0
10	615	Purchased Power	47,471	0	47,471	0	47,471
11	618	Chemicals	1,428	0	1,428	0	1,428
12	620	Repairs & Maintenance	23,221	(2,901)	20,320	0	20,320
13	621	Office Supplies & Expense	17,016	0	17,016	0	17,016
14	630	Outside services	162,297	0	162,297	0	162,297
15	635	Water Testing	8,823	(1,514)	7,309	0	7,309
16	641	Rents	17,815	0	17,815	0	17,815
17	650	Transportation Expense	12,960	0	12,960	0	12,960
18	657	Insurance - General Liability	2,895	0	2,895	0	2,895
19	659	Insurance - Health & Life	0	0	0	0	0
20	666	Regulatory Commission Expense	25,000	(13,000)	12,000	0	12,000
21	675	Miscellaneous Expense	11,211	0	11,211	0	11,211
22	403	Depreciation Expense	69,076	(10,370)	58,706	0	58,706
23	408	Taxes Other than Income	0	0	0	0	0
24	408.11	Property Taxes	9,432	4,410	13,842	2,811	16,653
25	670	Bad Debt Expense	1,005	0	1,005	0	1,005
26	409	Income Tax	(35,821)	5,751	(30,070)	47,579	17,509
28		Total Operating Expenses	\$413,588	(\$26,505)	\$387,083	\$50,390	\$437,473
30		Operating Income (Loss)	(\$106,413)	\$26,505	(\$79,908)	\$136,738	\$56,830

References:

Column [A]: Company Application page 19-1
Column [B]: Schedule BAB-11
Column [C]: Column [A] + Column [B]
Column [D]: Schedules BAB-17 and BAB-18
Column [E]: Column [C] + Column [D]

Tonto Basin Water Co., Inc.
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SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Salaries & Wages ADJ No. 1 Ref: Sch BAB-12	[C] Repairs & Maintenance ADJ No. 2 Ref: Sch BAB-13	[D] Water Testing ADJ No. 3 Ref: Sch BAB-14	[E] Regulatory Commission Expense ADJ No. 4 Ref: Sch BAB-15	[F] Depreciation Expense ADJ No. 5 Ref: Sch BAB-16	[G] Property Taxes ADJ No. 6 Ref: Sch BAB-17	[H] Income Tax ADJ No. 7 Ref: Sch BAB-18	[I] STAFF ADJUSTED
1 REVENUES:											
2	461	Metered Water Sales	\$303,588	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$303,588
3	460	Unmetered Water Sales	0	0	0	0	0	0	0	0	0
4	474	Other Water Revenue	3,587	0	0	0	0	0	0	0	3,587
5		Total Operating Revenues	\$307,175	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$307,175
6 OPERATING EXPENSES:											
7	601	Salaries & Wages	\$39,759	(\$8,880)	\$0	\$0	\$0	\$0	\$0	\$0	\$30,879
8	610	Purchased Water	0	0	0	0	0	0	0	0	0
9	615	Purchased Power	47,471	0	0	0	0	0	0	0	47,471
10	618	Chemicals	1,428	0	0	0	0	0	0	0	1,428
11	620	Repairs & Maintenance	23,221	(2,901)	0	0	0	0	0	0	20,320
12	621	Office Supplies & Expense	17,016	0	0	0	0	0	0	0	17,016
13	630	Outside services	162,297	0	0	0	0	0	0	0	162,297
14	635	Water Testing	8,823	0	0	(1,514)	0	0	0	0	7,309
15	641	Rents	17,815	0	0	0	0	0	0	0	17,815
16	650	Transportation Expense	12,960	0	0	0	0	0	0	0	12,960
17	657	Insurance - General Liability	2,895	0	0	0	0	0	0	0	2,895
18	659	Insurance - Health & Life	0	0	0	0	0	0	0	0	0
19	666	Regulatory Commission Expense	25,000	0	0	0	(13,000)	0	0	0	12,000
20	675	Miscellaneous Expense	11,211	0	0	0	0	0	0	0	11,211
21	403	Depreciation Expense	69,076	0	0	0	0	(10,370)	0	0	58,706
22	408	Taxes Other than Income	0	0	0	0	0	0	0	0	0
23	408.11	Property Taxes	9,432	0	0	0	0	0	0	0	9,432
24	670	Bad Debt Expense	1,005	0	0	0	0	0	4,410	0	13,842
25	409	Income Tax	(35,821)	0	0	0	0	0	0	0	1,005
26		Total Operating Expenses	\$413,588	(\$8,880)	(\$2,901)	(\$1,514)	(\$13,000)	(\$10,370)	\$4,410	\$5,751	\$387,083
27		Operating Income (Loss)	(\$106,413)	\$8,880	\$2,901	\$1,514	\$13,000	\$10,370	(\$4,410)	(\$5,751)	(\$79,908)

Tonto Basin Water Co., Inc.
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Schedule BAB-12a

OPERATING INCOME ADJUSTMENT NO. 1 - SALARIES & WAGES

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED	
1	601	Salaries & Wages	\$39,759	(\$8,880)	\$30,879	
2						
3						
4						
5						
6	Employee	Tonto Basin Direct	Pay to be allocated	4-factor allocation	Allocated pay	Total salaries and wages
7	Stouder	\$10,292	\$10,202	39.65%	\$4,045	\$14,337
8	Dominick	10,453	15,357	39.65%	6,089	16,541
9						\$30,879

References:

Column [A]: Company Application page 19-1

Column [B]: Testimony BAB, Company response to Staff's DR BAB 4.2, Schedule BAB-12b

Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT - 4-FACTOR ALLOCATION CALCULATION

		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
Line No.	Company	Customer count	Customer count %	Net Plant in service	in service %	Operating expenses	Operating expenses %	Number of systems	Number of systems %	4-factor %
1	Navajo	301	13.16%	\$112,393	6.35%	\$80,284	9.52%	3	18.75%	11.94%
2	Payson	1,101	48.12%	962,632	54.41%	346,604	41.10%	8	50.00%	48.41%
3	Tonto Basin	886	38.72%	694,289	39.24%	416,380	49.38%	5	31.25%	39.65%
4	Total	2,288		\$1,769,314		\$843,268		16		100.00%

References:

Column [A]: The Customer counts are from December 2013, provided in response to Staff DR BAB-4.1.

Column [B]: Column [A] / Line 4.

Column [C]: From the 2013 annual reports. Staff used the annual reports as it is the most recent, consistently prepared data for all three companies.

Column [D]: Column [C] / Line 4.

Column [E]: From the 2013 annual reports. Staff used the annual reports as it is the most recent, consistently prepared data for all three companies.

Column [F]: Column [E] / Line 4.

Column [G]: From the 2013 annual reports. Staff used the annual reports as it is the most recent, consistently prepared data for all three companies.

Column [H]: Column [G] / Line 4.

Column [I]: Average of Columns [B, D, F, and H].

Tonto Basin Water Co., Inc.
Docket No. W-03515A-14-0310
Test Year Ended: June 30, 2014

Schedule BAB-13

OPERATING INCOME ADJUSTMENT NO. 2 - REPAIRS & MAINTENANCE

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	620	Repairs & Maintenance	\$23,221	(\$2,901)	\$20,320
2					
3					
4					
5					
6	MISCLASSIFIED				
7	Act. No.	Description	Test Year	Total	
8	333	Services	(\$417)	(\$417)	
9	620	Repairs & Maintenance	417	417	
10		Year end journal entry		\$3,318	
11		Staff Adjustment		(\$2,901)	

References:

Column [A]: Company Application page 19-1

Column [B]: Testimony BAB, Staff's DRs BAB 4.4a and BAB 4.4b

Column [C]: Column [A] + Column [B]

Tonto Basin Water Co., Inc.
Docket No. W-03515A-14-0310
Test Year Ended: June 30, 2014

Schedule BAB-14

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TESTING

LINE	ACT.		[A]	[B]	[C]
NO.	NO.	DESCRIPTION	COMPANY PROPOSED	STAFF ADJUSTMENT	STAFF RECOMMENDED
1	635	Water Testing	\$8,823	(\$1,514)	\$7,309

References:

Column [A]: Company Application page 19-1

Column [B]: Testimony BAB, Engineering report

Column [C]: Column [A] + Column [B]

Tonto Basin Water Co., Inc.
Docket No. W-03515A-14-0310
Test Year Ended: June 30, 2014

Schedule BAB-15

OPERATING INCOME ADJUSTMENT NO. 4 - REGULATORY COMMISSION EXPENSE

LINE	ACT.		[A]	[B]	[C]
NO.	NO.	DESCRIPTION	COMPANY	STAFF	STAFF
			PROPOSED	ADJUSTMENT	RECOMMENDED
1	666	Regulatory Commission Expense	\$25,000	(\$13,000)	\$12,000

References:

Column [A]: Company Application page 19-1, Supplemental response to Staff's DR BAB 1.26

Column [B]: Testimony BAB

Column [C]: Column [A] + Column [B]

Tonto Basin Water Co., Inc.
Docket No. W-03515A-14-0310
Test Year Ended: June 30, 2014

Schedule BAB-16

OPERATING INCOME ADJUSTMENT NO. 5 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] GROSS UTILITY PLANT IN SERVICE	[B] FULLY/NON DEPRECIABLE	[C] DEPRECIABLE PLANT	[D] DEPREC. RATE	[E] EXPENSE
<i>Plant In Service</i>							
1	301	Organization Costs	\$0	\$0	\$0	0.00%	\$0
2	302	Franchise Costs	0	0	0	0.00%	0
3	303	Land & Land Rights	5,241	5,241	0	0.00%	0
4	304	Structures & Improvements	420,518	0	420,518	3.33%	14,003
5	307	Wells & Springs	474,518	0	474,518	3.33%	15,801
6	311	Electric Pumping Equipment	159,444	0	159,444	12.50%	19,931
7	320	Water Treatment Equipment	0	0	0		
8	320.1	Water Treatment Plants	181,837	0	181,837	3.33%	6,055
9	320.2	Solutions & Feeders	8,058	0	8,058	20.00%	1,612
10	320.3	Arsenic Remediation Plant	0	0	0	3.33%	0
11	330	Distribution Reservoirs & Standpipes	0	0	0		
12	330.1	Storage Tank	116,577	0	116,577	2.22%	2,588
13	330.2	Pressure Tanks	25,295	0	25,295	5.00%	1,265
14	331	Transmission & Distribution Mains	230,188	0	230,188	2.00%	4,604
15	333	Services	43,221	0	43,221	3.33%	1,439
16	334	Meters & Meter Installations	190,853	0	190,853	8.33%	15,898
17	335	Hydrants	5,269	0	5,269	2.00%	105
18	336	Backflow Prevention Devices	0	0	0	6.67%	0
19	339	Other Plant & Misc. Equip.	116,804	116,804	0	6.67%	0
20	340	Office Furniture & Fixtures	0	0	0	6.67%	0
21	340.1	Computer & Software	0	0	0	20.00%	0
22	341	Transportation Equipment	0	0	0	20.00%	0
23	342	Store Equipment	0	0	0	4.00%	0
24	343	Tools & Work Equipment	0	0	0	5.00%	0
25	344	Laboratory Equipment	0	0	0	10.00%	0
26	345	Power Operated Equipment	3,421	0	3,421	5.00%	171
27	346	Communications Equipment	2,209	0	2,209	10.00%	221
28	347	Miscellaneous Equipment	3,981	0	3,981	10.00%	398
29	348	Other Tangible Plant	6,078	0	6,078	5.00%	304
30							
31		Subtotal General	<u>\$1,993,512</u>	<u>\$122,045</u>	<u>\$1,871,467</u>		<u>\$84,395</u>
32							
33		Less: Amortization of Contributions			\$569,660	4.51%	<u>\$25,689</u>
34							
35		Staff Recommended Depreciation Expense					\$58,706
36		Company Proposed Depreciation Expense					<u>69,076</u>
37		Increase/(Decrease) to Depreciation Expense					<u><u>(\$10,370)</u></u>

OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$307,175	\$307,175
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$614,350	\$614,350
4	Staff Recommended Revenue	307,175	494,303
5	Subtotal (Line 4 + Line 5)	\$921,525	\$1,108,653
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$307,175	\$369,551
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$614,350	\$739,102
10	Plus: 10% of CWIP	0	0
11	Less: Net Book Value of Licensed Vehicles	0	0
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$614,350	\$739,102
13	Assessment Ratio	18.50%	18.50%
14	Assessment Value (Line 12 * Line 13)	\$113,655	\$136,734
15	Composite Property Tax Rate	12.179%	12.179%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$13,842	
17	Company Proposed Property Tax	9,432	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$4,410	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$16,653
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		13,842
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$2,811
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$2,811
23	Increase in Revenue Requirement		\$187,128
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.502%

REFERENCES:

Line 15: Composite Tax Rate line 15 of the Company's proforma adjustment number 2, page 19c.
Line 17: Company Application page 19-1
Line 21: Line 19 - Line 20

Tonto Basin Water Co., Inc.
Docket No. W-03515A-14-0310
Test Year Ended: June 30, 2014

Schedule BAB-18

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAX EXPENSE
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LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Income Tax Expense	(\$35,821)	\$5,751	(\$30,070)
2	Total	(\$35,821)	\$5,751	(\$30,070)

References:

Column [A]: Company Application page 19-1
Column [B]: Testimony BAB, Schedule BAB-2
Column [C]: Column [A] + Column [B]

RATE DESIGN

		Present Rates	Company Proposed Rates	Staff Recommended Rates
Monthly Usage Charge				
	5/8 x 3/4" Meter	\$16.00	\$25.95	\$25.50
	3/4" Meter	18.40	29.84	29.50
	1" Meter	21.28	34.52	34.00
	1 1/2" Meter	32.00	51.90	51.00
	2" Meter	56.00	90.83	90.00
	3" Meter	80.00	129.76	129.00
	4" Meter	128.00	207.62	207.00
	6" Meter	0.00	0.00	0.00
	8" Meter	0.00	0.00	0.00
	10" Meter	0.00	0.00	0.00
Commodity Rates				
5/8 x 3/4" & 3/4" Meter - Residential				
Gallons Included in Minimum		0	0	0
Excess of Minimum - per 1,000 Gallons				
	From 1 to 4,000 Gallons	\$1.55		
	Over 4,000 Gallons	2.33		
	From 1 to 4,000 Gallons		\$3.00	
	From 4,001 to 10,000 Gallons		3.90	
	Over 10,000 Gallons		4.80	
	From 1 to 3,000 Gallons			\$2.10
	From 3,001 to 9,000 Gallons			3.50
	Over 9,000 Gallons			5.15
5/8 x 3/4" & 3/4" Meter - Commercial & Industrial				
Gallons Included in Minimum		0	0	0
Excess of Minimum - per 1,000 Gallons				
	From 1 to 4,000 Gallons	\$1.55		
	Over 4,000 Gallons	2.33		
	From 1 to 4,000 Gallons		\$3.00	
	From 4,001 to 10,000 Gallons		3.90	
	Over 10,000 Gallons		4.80	
	From 1 to 9,000 Gallons			\$3.50
	Over 9,000 Gallons			5.15
1" - Residential, Commercial & Industrial				
Gallons Included in Minimum		0	0	0
Excess of Minimum - per 1,000 Gallons				
	From 1 to 4,000 Gallons	\$1.55		
	Over 4,000 Gallons	2.33		
	From 1 to 4,000 Gallons		\$3.00	
	From 4,001 to 10,000 Gallons		3.90	
	Over 10,000 Gallons		4.80	
	From 1 to 11,000 Gallons			\$3.50
	Over 11,000 Gallons			5.15
1 1/2" - Residential, Commercial & Industrial				
Gallons Included in Minimum		0	0	0
Excess of Minimum - per 1,000 Gallons				
	From 1 to 4,000 Gallons	\$1.55		
	Over 4,000 Gallons	2.33		
	From 1 to 4,000 Gallons		\$3.00	
	From 4,001 to 10,000 Gallons		3.90	
	Over 10,000 Gallons		4.80	
	From 1 to 20,000 Gallons			\$3.50
	Over 20,000 Gallons			5.15

RATE DESIGN CON'T			
Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
<u>2" - Residential, Commercial & Industrial</u>			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 4,000 Gallons	\$1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		\$3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 43,000 Gallons			\$3.50
Over 43,000 Gallons			5.15
<u>3" - Residential, Commercial & Industrial</u>			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 4,000 Gallons	\$1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		\$3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 66,000 Gallons			\$3.50
Over 66,000 Gallons			5.15
<u>4" - Residential, Commercial & Industrial</u>			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 4,000 Gallons	\$1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		\$3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 113,000 Gallons			\$3.50
Over 113,000 Gallons			5.15
<u>6" - Residential, Commercial & Industrial</u>			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 4,000 Gallons	\$1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		\$3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 500,000 Gallons			\$3.50
Over 500,000 Gallons			5.15

RATE DESIGN CON'T

Service Line and Meter Installation Charges	Present Rates			Company Proposed Rates			Staff Recommended Rates		
	Service Line	Meter Charge	Total Charge	Service Line	Meter Charge	Total Charge	Service Line	Meter Charge	Total Charge
5/8" x 3/4" Meter	\$0	\$0	\$430	\$0	\$0	\$430	\$415	\$105	\$520
3/4" Meter	0	0	480	0	0	480	415	205	620
1" Meter	0	0	550	0	0	550	465	265	730
1½" Meter	0	0	775	0	0	775	520	475	995
2" Meter	0	0	1,305	0	0	1,305	800	995	1,795
3" Meter	0	0	1,815	0	0	1,815	1,015	1,620	2,635
4" Meter	0	0	2,860	0	0	2,860	1,430	2,570	4,000
6" Meter	0	0	0	0	0	0	2,150	4,925	7,075
Service Charges									
Establishment			\$25.00			\$25.00			\$25.00
Establishment (After Hours)			35.00			35.00			0.00
Reconnection (Delinquent)			20.00			20.00			20.00
Reconnection (Delinquent and After Hours)			30.00			30.00			0.00
After-Hours Service Charge			0.00			0.00			35.00
Meter Test			25.00			25.00			25.00
Deposit			*			*			*
Deposit Interest			*			*			*
Re-establishment (Within 12 Months)			**			**			****
Re-establishment (Within 12 Months After Hrs)			**			**			35.00
NSF Check			17.50			17.50			17.50
Deferred Payment, Per Month			1.5%			1.5%			1.5%
Meter Re-Read			25.00			25.00			25.00
Late Payment Penalty			1.5%			1.5%			1.5%
Moving Customer Meter (Customer Request)			***			***			***

* Per Commission Rule A.A.C. R-14-2-403(B)(7).

** Number of months off system times the monthly minimum per Commission rule AAC R14-2-403(D).

*** Per Commission Rule A.A.C. R-14-2-405.

**** Month off system times the monthly minimum A.A.C. R14-2-403(D).

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per commission rule A.A.C. 14-2-409D(5).

Tonto Basin Water Co., Inc.
Docket No. W-03515A-14-0310
Test Year Ended: June 30, 2014

Schedule BAB-20

TYPICAL BILL ANALYSIS					
General Service 5/8 x 3/4-Inch Meter					

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,598	\$25.92	\$44.18	\$18.26	70.43%
Median Usage	3,205	\$20.97	\$35.57	\$14.60	69.62%
<u>Staff Recommended</u>					
Average Usage	5,598	\$25.92	\$40.89	\$14.97	57.75%
Median Usage	3,205	\$20.97	\$32.52	\$11.55	55.10%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
0	\$16.00	\$25.95	62.19%	\$25.50	59.38%
1,000	\$17.55	\$28.95	64.96%	\$27.60	57.26%
2,000	\$19.10	\$31.95	67.28%	\$29.70	55.50%
3,000	\$20.65	\$34.95	69.25%	\$31.80	54.00%
4,000	\$22.20	\$37.95	70.95%	\$35.30	59.01%
5,000	\$24.53	\$41.85	70.61%	\$38.80	58.17%
6,000	\$26.86	\$45.75	70.33%	\$42.30	57.48%
7,000	\$29.19	\$49.65	70.09%	\$45.80	56.90%
8,000	\$31.52	\$53.55	69.89%	\$49.30	56.41%
9,000	\$33.85	\$57.45	69.72%	\$52.80	55.98%
10,000	\$36.18	\$61.35	69.57%	\$57.95	60.17%
11,000	\$38.51	\$66.15	71.77%	\$63.10	63.85%
12,000	\$40.84	\$70.95	73.73%	\$68.25	67.12%
13,000	\$43.17	\$75.75	75.47%	\$73.40	70.03%
14,000	\$45.50	\$80.55	77.03%	\$78.55	72.64%
15,000	\$47.83	\$85.35	78.44%	\$83.70	74.99%
16,000	\$50.16	\$90.15	79.72%	\$88.85	77.13%
17,000	\$52.49	\$94.95	80.89%	\$94.00	79.08%
18,000	\$54.82	\$99.75	81.96%	\$99.15	80.86%
19,000	\$57.15	\$104.55	82.94%	\$104.30	82.50%
20,000	\$59.48	\$109.35	83.84%	\$109.45	84.01%
25,000	\$71.13	\$133.35	87.47%	\$135.20	90.07%
30,000	\$82.78	\$157.35	90.08%	\$160.95	94.43%
35,000	\$94.43	\$181.35	92.05%	\$186.70	97.71%
40,000	\$106.08	\$205.35	93.58%	\$212.45	100.27%
45,000	\$117.73	\$229.35	94.81%	\$238.20	102.33%
50,000	\$129.38	\$253.35	95.82%	\$263.95	104.01%
75,000	\$187.63	\$373.35	98.98%	\$392.70	109.29%
100,000	\$245.88	\$493.35	100.65%	\$521.45	112.07%

**TONTO BASIN WATER COMPANY
DOCKET NO. W-03515A-14-0310
RESPONSES TO STAFF'S SECOND SET OF DATA REQUESTS**

February 4, 2015

Company:	Jason Williamson
Title:	President
Company:	Tonto Basin Water Co., Inc.
Address:	7581 E. Academy Blvd., Suite 229 Denver, CO 80230

Company Response Number: BAB – 2.5 **SUPPLEMENT**

BAB 2.5

Q. Missing Plant Invoices – Please either provide the following missing plant invoices or explain why the Company did not include the supporting plant invoices in the application for the years and accounts as listed:

- a. All of the 2001 and 2005 invoices.
- b. Structures and improvements account invoices for 2008 and 2011.
- c. Pumping equipment account invoices for 2002, 2003, 2004, 2007, and 2008.
- d. Water treatment equipment account invoices for 2002, 2004, 2008, and 2011.
- e. Transmission and distribution mains account invoices for 2002, 2003, and 2011.
- f. Meters and meter installations account invoices for 2002, 2003, 2004, 2006, 2007, 2008, 2009, 2010, 2011 and 2012.
- g. Power operated equipment account invoices for 2006 and 2008.
- h. Communications equipment account invoices for 2003 and 2004.
- i. Miscellaneous equipment account invoices for 2009 and 2010.
- j. Other tangible plant account invoices for 2006 and 2007.

RESPONSE:

The Company has recently conducted a physical search for invoices in the document archives of the former sole shareholder, Brooke Utilities. The investigation was helpful in locating some additional invoices, although there still are gaps in documentation, primarily from 2008 and 2011. The attached spreadsheet summarizes the newly located invoices, which are organized by date, indicate the asset class in which they appear to have been booked, and include reference to the file name of the digital copy of the invoices (also attached). In the same workbook, the Company has attempted to use Staff's plant addition schedule, providing detail on the accounts and years when the newly-discovered invoices appear to be added to plant. The Company will continue its efforts to locate additional documentation.

ATTACHMENT B

TONTO BASIN WATER COMPANY
DOCKET NO. W-03515A-14-0310
RESPONSES TO STAFF'S FOURTH SET OF DATA REQUESTS

December 29, 2014

Company: Jason Williamson
Title: President
Company: Tonto Basin Water Co., Inc.
Address: 7581 E. Academy Blvd., Suite 229
Denver, CO 80230

Company Response Number: BAB – 4.3

BAB 4.3

Q. Distribution Reservoirs & Standpipes – Please identify how much of the \$89,989 listed as the current balance in NARUC account number 330 on the Utility Plant in Service schedule (page 15 of the application) is for storage tanks and should be included in account number 330.1, and how much is for pressure tanks, and should therefore, be included in account number 330.2.

RESPONSE:

The Company estimates that approximately 2/3 of the \$89,989 should be applied to storage tanks (account number 330.1) and 1/3 to pressure tanks (account number 330.2).

TONTO BASIN WATER COMPANY
DOCKET NO. W-03515A-14-0310
RESPONSES TO STAFF'S FIRST SET OF DATA REQUESTS

October 30, 2014

Company: Jason Williamson
Title: President
Company: Tonto Basin Water Co., Inc.
Address: 7581 E. Academy Blvd., Suite 229
Denver, CO 80230

Company Response Number: BAB – 1.6

BAB 1.6

Q. Shared Services – Describe in detail any services (e.g., employees, contract employees, etc.) which the Company shares with other entities, affiliated or not, and the basis for quantification and allocation of the related services.

RESPONSE:

The Company does not have any direct employees. There are two operations employees located in Arizona that provide most of the operations needs for the Company, as well as the needs for the Navajo Water and Payson Water companies. Additional maintenance functions are provided with contractors, located within the local communities. Any additional administrative functions are provided by staff at the corporate office in Denver. To the extent any administrative task (i.e. preparation of invoices for rate cases) can be directly attributed to this or another Company, such costs are billed specifically. If they are general functions, not attributable to any single entity, such costs are divided up proportionally (weighted by customer number/ count) in accordance with the Expense Allocation Agreement.

**TONTO BASIN WATER COMPANY
DOCKET NO. W-03515A-14-0310
RESPONSES TO STAFF'S FIRST SET OF DATA REQUESTS**

October 30, 2014

Company:	Jason Williamson
Title:	President
Company:	Tonto Basin Water Co., Inc.
Address:	7581 E. Academy Blvd., Suite 229 Denver, CO 80230

Company Response Number: BAB – 1.8

BAB 1.8

Q. Affiliates, Organization Chart – Please describe completely all relationships between the Company and affiliated companies and furnish an organizational chart which shows the relationships.

RESPONSE: The Company is very small and, as such, does not have an organization chart per se. The Company also does not have any employees. Here is a summary of the organization:

- JW Water Holdings, LLC: Shareholder of Navajo, Tonto Basin and Payson Water Companies:
 - Jason Williamson Managing Partner
 - Seven other investor-partners, none involved in day-to-day operations
 - Employees:
 - Office Administrator (Denver Office) (Viv Jun – recently left company, currently looking for replacement)
 - Lead Operator (Payson Office) – Shaun Stouder
 - Operator (Payson Office) – Diego Dominick

TONTO BASIN WATER COMPANY
DOCKET NO. W-03515A-14-0310
RESPONSES TO STAFF'S FOURTH SET OF DATA REQUESTS

December 29, 2014

Company: Jason Williamson
Title: President
Company: Tonto Basin Water Co., Inc.
Address: 7581 E. Academy Blvd., Suite 229
Denver, CO 80230

Company Response Number: BAB – 4.2

BAB 4.2

Q. Employee Salary and Wage Information – In response to Staff's DR BAB 1.18, the Company referenced its responses to Staff's DRs BAB 1.6 through 1.8. These responses, however, did not identify whether or not there are timesheets for the three JW Water Holdings employees or how the employees were paid without timesheets. Therefore as a follow up, please describe/provide the following:

- a. State whether or not the three JW Water Holdings employees use time sheets to document the hours worked. If so, please provide the time sheets for each of the three individuals employed by JW Water Holdings that performed services for Navajo Water Company during the test year.
- b. If no time sheets are used, please state the approximate number of hours each employee worked per pay period during the test year. As part of your response, please state the activity and the number of hours spent on the activity.
- c. If the pay of the employee is not based on time sheets, please explain how you determined the number of hours worked and the pay period for these individuals.

RESPONSE:

The two direct operations staff (Shaun Stouder (SS) and Diego Dominick (DD)) used timecards. Their timecards from the test year are attached. Administrative staff did not use timecards. Wages were simply billed as other reimbursable expenses were, using the expense allocation method based on customer counts. Ms. Jun generally worked 20-25 hours per week during the test year in a bookkeeping and administrative capacity.

TONTO BASIN WATER COMPANY
DOCKET NO. W-03515A-14-0310
RESPONSES TO STAFF's FOURTH SET OF DATA REQUESTS

December 29, 2014

Company: Jason Williamson
 Title: President
 Company: Tonto Basin Water Co., Inc.
 Address: 7581 E. Academy Blvd., Suite 229
 Denver, CO 80230

Company Response Number: BAB – 4.1

BAB 4.1

Q. Allocations – In response to Staff's DR BAB 1.4, the Company provided a copy of the Business Services and Expense Allocation Agreement. In the Allocation Method (section 5b) addressing indirect expenses, it stated that the basis for expense allocations is the active customer count as of December 31 of the previous calendar year. However, in response to Staff's DR BAB-1.7, the Company stated that the customer count of the previous month is used to allocate expenses. Please clarify what customer count was used to allocate test year expenses, and provide the customer counts that were used during the test year.

RESPONSE:

The Company generally uses the previous month's customer count for calculating the allocation. As reflected in the table below, the customer counts did not vary materially during the test year. Customer Counts by Month.

MONTH	NAVAJO	PAYSON	TONTO BASIN	TOTAL
13-Jul	308	1126	891	2325
13-Aug	307	1114	886	2307
13-Sep	304	1113	887	2304
13-Oct	303	1108	885	2296
13-Nov	301	1101	885	2287
13-Dec	301	1101	886	2288
14-Jan	301	1111	887	2299
14-Feb	301	1111	887	2299
14-Mar	301	1111	920	2332
14-Apr	312	1113	911	2336

14-May	312	1124	911	2347
14-Jun	312	1124	911	2347

ATTACHMENT G

TONTO BASIN WATER COMPANY
DOCKET NO. W-03515A-14-0310
RESPONSES TO STAFF'S FOURTH SET OF DATA REQUESTS

December 29, 2014

Company: Jason Williamson
Title: President
Company: Tonto Basin Water Co., Inc.
Address: 7581 E. Academy Blvd., Suite 229
Denver, CO 80230

Company Response Number: BAB – 4.4

BAB 4.4

Q. Repair and Maintenance – Please provide and/or explain the following:

- The journal entry dated 12/31/13 in account number 622 with the description of “to write off immaterial additions which will take 30+ years to depreciate” in the amount of \$3,318;
- Any and all invoices for the entry described in part a.;
- The invoice for journal entry dated 9/1/13 in account number 623.1 to vendor name “Able Distributing” with the description of “leak repairs on 8/21 & 8/25” in the amount of \$1,312.41;
- The invoice for journal entry dated 11/5/13 in account number 623.1 with the description to vendor name “JW Water (reimbursable)” of “meters and meter chamber replacements” in the amount of \$439.70;
- The invoice for journal entry dated 1/24/14 in account number 623.1 with the description to vendor name “Able Distributing” of “7685563 - LRGW repair parts” in the amount of \$2,067.52;
- The invoice for journal entry dated 2/28/14 in account number 620 with the description to vendor name “JW Water (reimbursable)” of “small tools, materials & supplies” in the amount of \$724.70; and
- The invoice for journal entry dated 6/2/14 in account number 622 with the description to vendor name “Able Distributing” of “7869526 - repair parts - NBE” in the amount of \$509.93.

RESPONSE:

a & b: The referenced journal entry was a year-end adjusting entry made by the Company's tax accountant. These invoices were provided previously as they were originally booked as assets (Plant). In discussions with the Company's accountant, it appears these adjustments moved purchases to expenses that the Company's accountant felt did not meet the standard of 30-yr. depreciation

treatment, but should be expensed, in the absence of a yet-to-be established company policy on maintenance or replacement plant purchases.

d. Attached please find an invoice from Brooke Utilities, LLC for October Transition Services. Within it, on page three of the .pdf, is a listing of meter parts that were billed by Brooke Utilities to JWW, who then billed (on 11/5/14) Tonto Basin for the cost of the parts reimbursement applicable to the Company.

e. - g. The requested invoices are attached.

TONTO BASIN WATER COMPANY
DOCKET NO. W-03515A-14-0310
RESPONSES TO STAFF'S FIRST SET OF DATA REQUESTS

October 30, 2014

Company: Jason Williamson
Title: President
Company: Tonto Basin Water Co., Inc.
Address: 7581 E. Academy Blvd., Suite 229
Denver, CO 80230

Company Response Number: BAB – 1.26 SUPPLEMENT

BAB 1.26

Q. Rate Case Expense – Please provide an analysis of actual expenses already incurred, as well as the costs expected to be incurred in connection with this rate case. As part of your response, please provide invoices for all costs already incurred.

RESPONSE:

Legal invoices, related to both rate case expense and other matters, are not being provided because they contain information that is subject to the attorney-client privilege, and are deemed confidential and proprietary. However, Staff may arrange to review an unredacted statement of those legal fees by contacting the Company's legal counsel, attn: Whitney Birk at 602-916-5720. The proposed manner of review of legal invoices is the same as used by Staff and Fennemore Craig in other rate cases. The Company reserves, and in no way intends to waive the attorney-client privilege with respect to production of these documents, which are being made available to allow Staff to verify amounts incurred by the Company on matters that may be included in rate case expense or the Company's operating expenses.

To date, the Company has recorded \$3,626.21 in rate case expenses through September. Legal bills and bills from the Company's rate consultant, Tom Bourassa, have not yet been received for most of September and October. Invoice copies have been provided.

SUPPLEMENTAL RESPONSE (February 4, 2015):

To date, the Company has incurred just under \$12,000 in total rate case expense. The Company hereby further supplements its earlier response and informs Staff that it will be increasing the amount of rate case expense requested to a total of \$75,000 to be amortized over three years. The increase in rate case expense is necessitated by the Commission's decision to treat this rate case under the rules in effect at the time it was filed. Under those rules, the Company is a Class C water

utility and, as such, a hearing is going to be held and there will be pre-filed testimony and presumably briefing. As Staff is aware, the Company conferred with Staff prior to making application and hoped that this case would be processed under the rules for smaller water companies. Additionally, the Commission recently granted intervention to the former shareholder who is now a party to this rate case. None of these events was contemplated when the Company filed its application and made its initial estimate of rate case expense. The Company will continue to evaluate and update its estimated rate case expense as the case progresses, and if necessary, will further supplement this data request response.

BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH

Chairman

BOB STUMP

Commissioner

BOB BURNS

Commissioner

DOUG LITTLE

Commissioner

TOM FORESE

Commissioner

IN THE MATTER OF THE APPLICATION OF)
TONTO BASIN WATER COMPANY, INC. FOR)
APPROVAL OF AN ADJUSTMENT IN THE)
EXISTING RATES CHARGED BY THE)
COMPANY)
_____)

DOCKET NO. W-03515A-14-0310

DIRECT

TESTIMONY

OF

MICHAEL S. THOMPSON, P. E.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

FEBRUARY 23, 2015

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1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Michael Thompson. My business address is 1200 West Washington Street,
4 Phoenix, Arizona 85007.

5
6 **Q. By whom and in what position are you employed?**

7 A. I am employed by the Arizona Corporation Commission ("Commission" or "ACC") as a
8 Utilities Engineer - Water/Wastewater in the Utilities Division.

9
10 **Q. How long have you been employed by the Commission?**

11 A. I have been employed by the Commission since June 2013.

12
13 **Q. What are your responsibilities as a Utilities Engineer - Water/Wastewater?**

14 A. As a Utilities Engineer, specializing in water and wastewater engineering, my responsibilities
15 include: the inspection, investigation, and evaluation of water and wastewater systems;
16 obtaining data and preparing investigative reports; providing technical recommendations and
17 suggesting corrective action for water and wastewater systems; and providing written and oral
18 testimony in rate cases and other cases before the Commission.

19
20 **Q. How many companies have you analyzed for the Utilities Division?**

21 A. I have analyzed 14 companies covering various responsibilities for the Utilities Division Staff
22 ("Utilities Staff" or "Staff").

23
24 **Q. Have you previously testified before this Commission?**

25 A. Yes, I have testified before this Commission.

26

1 **Q. What is your educational background?**

2 A. I graduated from the SUNY College of Environmental Science and Forestry ("ESF") at
3 Syracuse, New York, and Syracuse University ("SU") at Syracuse, New York. I have a
4 Bachelor of Science Degree in Pulp and Paper Engineering from ESF and Chemical
5 Engineering from SU.

6
7 **Q. Briefly describe your pertinent work experience.**

8 A. Prior to my employment with the Commission, I was the Operations Engineer, from 2009 to
9 2012, for the Southwest and Central Districts of Golden State Water Company ("GSWC"),
10 located in Gardena and Santa Fe Springs, California, respectively. As the Operations
11 Engineer, I provided technical assistance and support to the districts' operations departments
12 with primary focus on resolving operational problems and optimizing the efficiency of the
13 water system operations. Prior to my employment with GSWC, I was employed with
14 Chaparral City Water Company ("Chaparral"), from 2002 to 2009, as District Operations
15 Engineer. While at Chaparral, I performed all capital, new business, and water quality
16 activities within the district. I served as field engineer/construction manager for all capital
17 and new business projects under construction. I also managed all water quality activities
18 including monitoring, sampling, and reporting as required by 40 CFR (National Primary
19 Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

20
21 From 2000 to 2002, I was employed with the Fountain Hills Sanitary District as Engineering
22 Assistant. I performed plan review of all commercial and residential projects in the Town of
23 Fountain Hills, and managed the district's construction projects.

24
25 From 1996 to 2000, I was employed as an Environmental Engineering Specialist with the
26 Arizona Department of Environmental Quality ("ADEQ"). During that time period, I

1 performed operations and maintenance site inspections of public water systems in Gila,
2 LaPaz, Mohave, and Southwestern Yavapai counties.

3
4 **Q. Please state your professional membership, registrations, and licenses.**

5 A. I am registered as a Professional Engineer (Civil) in the State of Arizona, a Grade 2 Certified
6 Water Treatment Plant Operator, and a Grade 3 Certified Water Distribution System
7 Operator. I am a member of the American Water Works Association and Arizona Water
8 Association.

9
10 **PURPOSE OF TESTIMONY**

11 **Q. What was your assignment in this rate proceeding?**

12 A. My assignment was to provide Staff's engineering evaluations for the Tonto Basin Water
13 Company, Inc. ("Tonto Basin" or "Company") rate proceedings. Tonto Basin consists of
14 five water systems which include: 1) Cactus Forest Water System, 2) Roosevelt Lake Estates
15 Water System, 3) North Bay Estates Water System, 4) Lake Roosevelt Gardens East Water
16 System, and 5) Lake Roosevelt Gardens West Water System.

17
18 **Q. What is the purpose of your testimony in this proceeding?**

19 A. To present the findings of Staff's engineering evaluation of the operations for the Cactus
20 Forest, Roosevelt Lake Estates, North Bay Estates, Lake Roosevelt Gardens East, and Lake
21 Roosevelt Gardens West Water Systems. The findings are contained in the Engineering
22 Report that I have prepared for this proceeding. The report is included as Exhibits MST-1 in
23 this pre-filed testimony.
24

1 **ENGINEERING REPORT**

2 **Q. Please describe the information contained in your Engineering Reports.**

3 A. The Reports are divided into three (3) general sections: 1) *Executive Summary*, 2) *Engineering*
4 *Report Discussion*, and 3) *Engineering Report Figures*. The *Discussion* section for the Tonto Basin
5 Water Systems is further divided into nine (9) subsections: 1) *Introduction and Location of the*
6 *Water Systems*, 2) *Description of the Water Systems*, 3) *Water Usage*, 4) *Growth*, 5) *Arizona Department*
7 *Environmental Quality Compliance*, 6) *Arizona Department of Water Resources Compliance*, 7) *Arizona*
8 *Corporation Commission Compliance*, 8) *Depreciation Rates*, and 9) *Other Issues*.

9
10 **Q. Was the Engineering Report prepared by you?**

11 A. Yes.
12

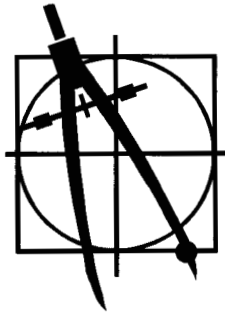
13 **CONCLUSIONS AND RECOMMENDATIONS**

14 **Q. What are Staff's conclusions and recommendations regarding the operations of the**
15 **Tonto Basin Water Systems?**

16 A. Staff's conclusions and recommendations are contained in the Executive Summary of the
17 Engineering Report.
18

19 **Q. Does this conclude your Direct Testimony?**

20 A. Yes, it does.



**ENGINEERING REPORT FOR
Tonto Basin Water Company, Inc.**

Docket No. W-03515A-14-0310 (Rates)

By Michael Thompson, P. E.

February 10, 2015

EXECUTIVE SUMMARY

CONCLUSIONS

1. The Arizona Corporation Commission ("ACC" or "Commission") Utilities Division Staff ("Utilities Staff" or "Staff") concludes that the Tonto Basin Water Company, Inc. ("Tonto Basin" or "Company") Water Systems, with the exception of the North Bay Estates Water System, have adequate production and storage capacity to serve the present customer base and any reasonable growth.
2. The original CC&Ns, with the exception of the Cactus Forest ("CF") CC&N, were transferred from United Utilities, Inc. to Brooke Water Company in Commission Decision No. 60972 dated June 19, 1998. The CF CC&N was inadvertently omitted from the transfer and currently remains under United Utilities, Inc. On June 1, 2013, the CC&N's, with the exception of the CF CC&N, were transferred via a stock purchase agreement from Brooke Water Company to Tonto Basin.
3. The Arizona Department of Environmental Quality ("ADEQ") Compliance Status Reports ("CSRs") indicate that the Tonto Basin Water Systems are currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and the Arizona Administrative Code, Title 18, Chapter 4.
4. Tonto Basin's CF water system service area is located within the Arizona Department of Water Resources ("ADWR") Pinal Active Management Area ("AMA").
5. Tonto Basin's Lake Roosevelt Gardens East ("LRGE"), Lake Roosevelt Gardens West ("LRGW"), Roosevelt Lake Estates ("RLE"), and North Bay Estates ("NBE") water systems are not located within an ADWR AMA.
6. ADWR's Water Provider Compliance Reports dated February 17, 2015, indicate that the Tonto Basin Water Systems are currently compliant with departmental requirements governing water providers and/or community water systems.

7. According to the Commission's Utilities Division Compliance Section database, Tonto Basin currently has no delinquent Commission compliance items.
8. Tonto Basin has approved Cross-Connection/Backflow Prevention and Curtailment Tariffs on file with the Commission.
9. Tonto Basin does not have any Best Management Practices ("BMPs") on file with the Commission.
10. The RLE water system has two (2) inactive/disconnected wells and an abandoned/disconnected 20,000 gallon (approximately) storage tank listed under Table B. Staff concludes that the two (2) inactive wells and storage tank are not used and useful to the water system's provision of service.
11. The NBE water system has one (1) inactive/isolated (valve off) well listed under Table C. Staff concludes that the inactive well is not used and useful to the water system's provision of service.
12. Staff concludes that the NBE water system does not have adequate storage capacity to serve the present customer base and any reasonable growth.

RECOMMENDATIONS

1. Staff recommends an annual water testing expense of \$7,309 for Tonto Basin be used for the purposes of this application.
2. Staff recommends the depreciation rates listed under "Staff's Recommended Rates" in Table J be adopted.
3. Staff recommends the meter and service line installation charges listed under "Staff's Recommendations" in Table K be adopted.
4. Staff recommends that the current filing should proceed with the understanding that Tonto Basin will correct the CF CC&N issue in a future filing.
5. Staff recommends that Tonto Basin take measures to have a protective coating applied to the external surface of the CF water system hydro-pneumatic pressure tank. Staff further recommends that Tonto Basin file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, documentation demonstrating that the protective coating has been applied to the CF water system hydro-pneumatic pressure tank.
6. Staff recommends that Tonto Basin take measures to have a protective coating applied to the external surface of the RLE water system active 20,000 gallon storage tank. Staff further recommends that Tonto Basin file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, documentation

demonstrating that the protective coating has been applied to the RLE water system storage tank.

7. Staff recommends that Tonto Basin take measures to have a protective coating applied to the external surface of the NBE water system hydro-pneumatic pressure tank and storage tank. Staff further recommends that Tonto Basin file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, documentation demonstrating that protective coatings have been applied to the NBE water system hydro-pneumatic pressure tank and storage tank.
8. Staff recommends that Tonto Basin take measures to have protective coatings applied to the external surface of the LRGE water system hydro-pneumatic pressure tank and storage tank, and replace the well sanitary concrete slab. Staff further recommends that Tonto Basin file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, documentation demonstrating that protective coatings have been applied to the LRGE water system hydro-pneumatic pressure tank and storage tank, and the well sanitary concrete slab has been replaced.
9. Staff recommends that Tonto Basin reduce water loss in its CF, NBE, and LRGW water systems to below 10 percent by June 30, 2016, and begin water loss monitoring and take action to ensure water loss remains less than 10 percent immediately. If the water loss for the twelve month period ending June 30, 2016, is greater than 10 percent, the Company shall formulate a plan to reduce water loss to less than 10 percent, or prepare a report containing a detailed analysis and explanation demonstrating why water loss reduction to 10 percent or less is not feasible or cost effective, and shall docket in this case no later than July 31, 2016, either the plan, the report, or notification that its water loss has been reduced below 10 percent, and in no event should the water loss exceed 15 percent.
10. Staff recommends that Tonto Basin file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, at least five (5) BMPs in the form of tariffs that substantially conform to the templates created by Staff for Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>.
11. Staff further recommends that a maximum of two BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories. Tonto Basin may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.
12. Staff recommends that Tonto Basin file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, documentation from the ADEQ indicating that ADEQ does not require the NBE water system to install additional storage capacity.

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A. INTRODUCTION AND LOCATION OF COMPANY

On August 21, 2014, Tonto Basin Water Company, Inc. ("Tonto Basin" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of a rate increase in Docket No. W-03515A-14-0310. Tonto Basin's current rates were approved in Commission Decision No. 62401 dated March 28, 2000.

Tonto Basin provides public utility water service to approximately 911 metered connections.¹ Tonto Basin is comprised of five (5) separate water systems which include Roosevelt Lake Estates ("RLE"), Lake Roosevelt Gardens East ("LRGE"), Lake Roosevelt Gardens West ("LRGW"), North Bay Estates ("NBE"), and Cactus Forest ("CF"). RLE, LRGE, LRGW, and NBE water systems are located in Gila County; CF water system is located in Pinal County. The locations of the water systems in Gila and Pinal County are shown on Figure 1 and Figure 2, respectively. The Tonto Basin Water Systems' Certificates of Convenience and Necessity ("CC&N"), which cover an area totaling approximately 764.5 acres (1.20 square miles), are shown in Figures 3A thru 3E. The original CC&Ns, with the exception of the CF CC&N, were transferred from United Utilities, Inc. to Brooke Water Company in Commission Decision No. 60972 dated June 19, 1998. The CF CC&N was inadvertently omitted from the transfer and currently remains under United Utilities, Inc. On June 1, 2013, the CC&N's, with the exception of the CF CC&N, were transferred via a stock purchase agreement from Brooke Water Company to Tonto Basin. Staff recommends that the current filing should proceed with the understanding that Tonto Basin will correct the CF CC&N issue in a future filing.

B. DESCRIPTION OF THE WATER SYSTEMS²

The Tonto Basin water systems were visited on October 30, 2014, by Staff member Michael Thompson. Mr. Thompson was accompanied by Mr. Briton Baxter (Staff Public Utilities Analyst IV) and Mr. Shaun Stouder. Mr. Stouder is responsible for the day-to-day operations of the Tonto Basin water systems and is also the lead certified operator of record.³ Mr. Joel Bahme, contracted by Tonto Basin to operate the Arsenic Treatment Plant at the Cactus Forest water system, was not present during the inspection.⁴

1. *Cactus Forest Water System – Public Water System ("PWS") No. 04-11-052*

The CF water system serves a certified area of approximately 320.35 acres (0.50 square miles). The water system contains two (2) active drinking water wells, two (2) 15 horsepower (hp)

¹ Per water use data submitted with the application.

² The description of the water systems is based on one, or a combination of, the following sources: 1) Company's Application, 2) Information contained in the Company's Response to Staff Data Requests and, 3) Information collected during Staff's site visit.

³ Mr. Stouder is certified with the Arizona Department of Environmental Quality ("ADEQ") as a Grade 4 Water Distribution System Operator, and Grade 3 Water Treatment Plant Operator. Mr. Stouder's ADEQ Operator Identification No. is OP020557, with an expiration date of August 31, 2015.

⁴ Mr. Bahme is certified with the Arizona Department of Environmental Quality ("ADEQ") as a Grade 4 Water Distribution System Operator, Grade 4 Water Treatment Plant Operator, Grade 4 Wastewater Collection System Operator, and Grade 4 Wastewater Treatment Plant Operator. Mr. Bahme's ADEQ Operator Identification No. is OP020557, with an expiration date of August 31, 2015.

booster pumps, one (1) 5,000 gallon hydro-pneumatic pressure tank, two (2) 15,000 gallon storage tanks, and an Arsenic Treatment Plant. The Arsenic Treatment Plant contains four (4) 805 gallon pressure media vessels, two (2) 1.25 inch blending meters, one (1) 3 inch backwash meter, and a backwash tank.

With the exception of the hydro-pneumatic pressure tank, the in-service plant facilities (i.e., wells, tanks, pumps, and visible pipe) appeared to be in proper working order, properly maintained, and in good condition. However, portions of the plant site were in need of general landscaping attention. Staff did not observe any leaks at the plant facilities, or in the distribution system.

The hydro-pneumatic pressure tank appeared to be structurally sound; however, the external surface of the tank had excessive rust generating the need for the application of a new protective surface coating.

Staff recommends that Tonto Basin take measures to have a protective coating applied to the external surface of the hydro-pneumatic pressure tank. Staff further recommends that Tonto Basin file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, documentation demonstrating that the protective coating has been applied to the Cactus Forest Water System hydro-pneumatic pressure tank. The cost of this should be approximately \$2,000.

Detailed listings of the plant facilities are included in Table A. A schematic of the service area is illustrated in Figure 4A.

Table A. Cactus Forest Water System Plant Facilities Summary

Active Wells							
Well ID	ADWR Well ID	Pump (hp)	Pump Yield (gpm)⁵	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
(S) West Well	55-621331	26	87.5	680	8	3	1959
(S) East Well	55-621337	25	63	688	8	3	1959

(S) Signifies Submersible Pump Well

Water Storage Tanks, Hydro-Pneumatic Pressure Tank, Booster Pumps, & Arsenic Treatment Facility				
Arsenic Treatment Facility Media Vessels (Gallons)	Storage Tanks (Gallons)	Pressure Tank (Gallons)	Booster Pumps (hp)	Emergency Back-up Generator
4 – 805	2 – 15,000	1 – 5,000	2 – 15	None

⁵ gpm signifies gallon per minute

Service Area Distribution Mains		
Diameter (inches)	Material	Length (feet)
1 1/2	Galvanized	14,680
2	Galvanized & PVC	22,920
2 1/2	Galvanized	1,100
3	Asbestos Concrete & Galvanized	3,475
4	PVC	3,500
6	PVC	4,700
Total Length		50,375

Service Areas Meters	
Size (inches)	Quantity
5/8 x 3/4	267
3/4	0
1	6
1 1/2	1
Total Quantity	274

Structures and Other Components		
Structures		Component
700 feet of 6-foot Chain Link Fence	10 X 12 foot Three Story Tower	Remote Tank Monitor

2. *Roosevelt Lake Estates Water System – PWS No. 04-04-036*

The RLE water system serves a certified area of approximately 162.99 acres (0.26 square miles). The water system contains one (1) active drinking water well, two (2) inactive/disconnected wells, two (2) 25,000 gallon storage tanks, one (1) 20,000 gallon storage tank, one (1) 7.5 hp booster pump, one (1) 2,000 gallon hydro-pneumatic pressure tank, and one (1) 20,000 gallon (approximately) inactive/disconnected storage tank. Staff concludes that the two (2) inactive wells and storage tank are not used and useful to the water system's provision of service.

With the exception of the active 20,000 gallon storage tank, the in-service plant facilities (i.e., well, tanks, pump, and visible pipe) appeared to be in proper working order, properly maintained, and in good condition. However, the plant site was in need of general landscaping attention. Staff did not observe any leaks at the plant facilities, or in the distribution system.

The external surface coating of the 20,000 gallon storage tank appeared to have excessive chalking, creating the need for the application of a new protective surface coating.

Staff recommends that Tonto Basin take measures to have a protective coating applied to the external surface of the 20,000 gallon storage tank. Staff further recommends that Tonto Basin file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, documentation demonstrating that the protective coating has been applied to the Roosevelt Lake Estates Water System storage tank. The cost of this should be approximately \$10,000.

Detailed listings of the plant facilities are included in Table B. A schematic of the service area is illustrated in Figure 4B.

Table B. Roosevelt Lake Estates Water System Plant Facilities Summary

Active Well							
Well ID	ADWR Well ID	Pump (hp)	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
(S) Well -1	55-605248	5	63	100	10	2	1990

(S) Signifies Submersible Pump Well

Inactive Wells (Disconnected & Capped)							
Item ¹	ADWR Well ID	Pump (hp)	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
(S) Well -2	55-527619	N/A	N/A	80	10	N/A	1990
(S) Well -3	55-527761	N/A	N/A	80	8	N/A	1990

¹Well No. 2 is capped, and Well No. 3 is physically and electrically disconnected from the water system.

Water Storage Tanks, Hydro-Pneumatic Pressure Tank & Booster Pump			
Storage Tanks (Gallons)	Pressure Tanks (Gallons)	Booster Pumps (hp)	Emergency Back-up Generator
1 – 20,000 2 – 25,000	1 – 2,000	1 – 7.5	None
1 – 20,000 ¹	None	None	None

¹20,000 gallon storage tank is disconnected from the water system.

Service Area Distribution Mains		
Diameter (inches)	Material	Length (feet)
2	Asbestos Concrete & PVC	449
3	Asbestos Concrete	3,990
4	Asbestos Concrete & PVC	12,035
Total Length		16,474

Service Areas Meters	
Size (inches)	Quantity
5/8 x 3/4	219
3/4	0
1	2
Total Quantity	221

Structures and Other Components		
Structure	Components	
300 feet of 6-foot Chain Link Fence	Remote Tank Monitor	Pellet Chlorinator

3. North Bay Estates Water System- PWS No. 04-04-049

The NBE water system serves a certified area of approximately 40.25 acres (0.06 square miles). The water system contains one (1) active drinking water well, one (1) inactive well, one (1) 15,000 gallon storage tank, one (1) 2,000 gallon hydro-pneumatic pressure tank, and one (1) 5 hp booster pump. The inactive well, Well No. 1, has been isolated (valved off) from the water system due to a collapsed casing. Staff concludes that Well No. 1 is not used and useful to the water system's provision of service.

With the exception of the hydro-pneumatic pressure tank and storage tank, the in-service plant facilities (i.e., well, pump, and visible pipe) appeared to be in proper working order, properly maintained, and in fair condition. Staff did not observe any leaks at the plant facilities, or in the distribution system.

The external surface coating of the hydro-pneumatic pressure tank and storage tank are showing signs of external rust and excessive chalking, creating the need for the application of a new protective surface coating.

Staff recommends that Tonto Basin take measures to have a protective coating applied to the external surface of the hydro-pneumatic pressure tank and storage tank. Staff further recommends that Tonto Basin file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, documentation demonstrating that protective coatings have been applied to the North Bay Estates Water System hydro-pneumatic pressure tank and storage tank. The cost of this should be approximately \$9,000.

Detailed listings of the plant facilities are included in Table C. Schematics of the service area are illustrated in Figure 4C.

Table C. North Bay Estates Water System Plant Facilities Summary

Active Well							
Well ID	ADWR Well ID	Pump (hp)	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
(S) Well-2	55-906239	1	20	130	8	1	2008

(S) Signifies Submersible Pump Well

Inactive Well							
Well ID	ADWR Well ID	Pump (hp)	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
(S) Well-1	55-631111	1.5	30	80	8	2	1970

Water Storage Tank, Hydro-Pneumatic Pressure Tank, & Booster Pump			
Storage Tanks (Gallons)	Pressure Tanks (Gallons)	Booster Pumps (hp)	Emergency Back-up Generator
1 – 15,000	1 – 2,000	1 - 5	None

Service Area Distribution Mains		
Diameter (inches)	Material	Length (feet)
2	PVC	2
4	PVC	3,300
6	PVC	2,070
Total Length		5,372

Service Areas Meters	
Size (inches)	Quantity
5/8 x 3/4	65
3/4	None
1	1
Total Quantity	66

Structures and Other Components		
Structure	Components	
389 feet of 6-foot Chain Link Fence	Remote Tank Monitor	Pellet Chlorinator

4. *Lake Roosevelt Gardens East Water System- PWS No. 04-04-022*

The LRGE water system serves a certified area of approximately 140.74 acres (0.22 square miles). The water system contains one (1) active drinking water well, one (1) 7.5 hp booster pump, one (1) 15,000 gallon storage tank, and one (1) 2,000 gallon hydro-pneumatic pressure tank.

With the exception of the hydro-pneumatic pressure tank, storage tank, and the well slab, the in-service plant facilities (i.e., well, pump, and visible pipe) appeared to be in proper working order, properly maintained, and in fair condition. However, the plant site was in need of general landscaping attention. Staff did not observe any leaks at the plant facilities, or in the distribution system.

The external surface coating of the hydro-pneumatic pressure tank is showing signs of external rust and excessive chalking, while the external surface of the storage tank, which appears to have never had an external surface coating, is also showing signs of external rust. Both tanks are in need of a protective surface coating. The wells sanitary concrete slab is cracked, creating a need for replacement.

Staff recommends that Tonto Basin take measures to have protective coatings applied to the external surface of the hydro-pneumatic pressure tank and storage tank, and replace the well sanitary concrete slab. Staff further recommends that Tonto Basin file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, documentation demonstrating that protective coatings have been applied to the LRGE water system hydro-pneumatic pressure tank and storage tank, and the well sanitary concrete slab has been replaced. The cost of this should be approximately \$10,000.

Detailed listings of the plant facilities are included in Table D. Schematics of the service area are illustrated in Figure 4D.

Table D. Lake Roosevelt Gardens East Water System Plant Facilities Summary

Active Well							
Well ID	ADWR Well ID	Pump (hp)	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
(S) Well-1	55-631118	2	22	80	8	2	1965

(S) Signifies Submersible Pump Well

Water Storage Tank, Hydro-Pneumatic Pressure Tank, & Booster Pump			
Storage Tanks (Gallons)	Pressure Tanks (Gallons)	Booster Pumps (hp)	Emergency Back-up Generator
1 – 15,000	1 – 2,000	1 – 7.5	None

Service Area Distribution Mains		
Diameter (inches)	Material	Length (feet)
2	PVC	780
3	PVC	330
4	Asbestos Concrete & PVC	6,286
6	Asbestos Concrete	1,465
Total Length		8,861

Service Areas Meters	
Size (inches)	Quantity
5/8 x 3/4	52
3/4	0
1	0
Total Quantity	52

Structures and Other Components		
Structure	Components	
154 feet of 6-foot Chain Link Fence	Remote Tank Monitor	Pellet Chlorinator

5. *Lake Roosevelt Gardens West Water System- PWS No. 04-04-047*

The Lake Roosevelt Gardens West Water System serves a certified area of approximately 100.17 acres (0.16 square miles). The water system contains three (3) active drinking water wells, and one (1) 100,000 gallon storage tank.

The in-service plant facilities (i.e., wells, tank, and visible pipe) appeared to be in proper working order, and in fair condition. However, each of the well sites were in need of general landscaping attention. Staff did not observe any leaks at the plant facilities, or in the distribution system.

Detailed listings of the plant facilities are included in Table E. Schematics of the service area are illustrated in Figure 4E.

Table E. Lake Roosevelt Gardens West Water System Plant Facilities Summary

Well Data – Active Well							
Well ID	ADWR Well ID	Pump (hp)	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
(S) Well-1	55-553109	5	32	50	8	2	1996
(S) Well-2	55-631116	1.5	12	50	6	1	1970
(S) Well-3	55-631117	5	35	50	8	2	1970

(S) Signifies Submersible Pump Well, and (T) Signifies Turbine Pump Well

Water Storage and Booster Pump Stations

Storage Tanks (Gallons)	Pressure Tanks (Gallons)	Booster Pumps	Emergency Back-up Generator
100,000	None	None	None

Service Area Distribution Mains		
Diameter (inches)	Material	Length (feet)
2	PVC	1,270
3	Ductile Iron	335
4	Asbestos Concrete & PVC	13,200
6	Asbestos Concrete & PVC	41,926
8	PVC	861
10	PVC	40
Total Length		57,362

Service Areas Meters	
Size (inches)	Quantity
5/8 x 3/4	378
3/4	1
1	13
2	5
3 Turbine	1
4 Turbine	2
Total Quantity	400

Structures and Other Components			
Structure		Components	
300 feet of 6-foot Chain Link Fence	8 foot x 8 foot Block Building	Remote Tank Monitor	3 – Pellet Chlorinator

C. WATER USE

1. *Water Sold*

Figures 5A through 5E represent the water consumption data, in graphical form, for each Tonto Basin water system during the 12 month period for the test year, July 2013 through June 2014. The water consumption graphs, figures 5A through 5E, are located in the Figure Section of this report. Table F below represents the high and low water consumption of each of the five (5) water systems.

**Table F. Tonto Basin Water Company Water System Water Usage
Test Year July 2012 – June 2013**

High & Low Water Consumption (Gallons/Day/Connection)					
Water Usage	Cactus Forest	Roosevelt Lake Estates	North Bay Estates	Lake Roosevelt Gardens East	Lake Roosevelt Gardens West
High Usage Month	June – 2014	July – 2013	July – 2012 September – 2013	May – 2014	June – 2014
Highest Daily Average Usage	421	189	309	183	213
Low Usage Month	March – 2014	December – 2013 January – 2014	December – 2013 January – 2014	March – 2014	December – 2013 January – 2014
Lowest Daily Average Usage	200	87	174	45	114
Test Year Average Usage	282	132	240	110	158

2. *Non-Accounted For Water*

Non-accounted for water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between water sold and water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage and any non-metered water use such as construction, firefighting, and line flushing. Water loss percentages for each water system within Tonto Basin are listed in Table G below.

Table G. Tonto Basin Water Company Water System Water Loss

Water Loss (Non-Accounted For Water)					
Water System	Cactus Forest	Roosevelt Lake Estates	North Bay Estates	Lake Roosevelt Gardens East	Lake Roosevelt Gardens West
2012 Water Loss (%)	40.62	5.84	35.15	3.26	10.83
2013 Water Loss (%)	19.05	5.35	17.40	5.15	10.38
Test Year Water Loss (%)	17.67	0.73	22.33	7.85	10.99

As the table indicates, water loss in three (3) of the five (5) water systems has been greater than 10 percent for the past two (2) years. Two (2) of the water systems, CF and NBE, have exceeded the maximum 15 percent limit.

Staff recommends that Tonto Basin reduce water loss in its CF, NBE, and LRGW water systems to below 10 percent by December 31, 2015, or before it files its next rate increase application, and/or CC&N application, and/or financing application, whichever comes first, and begin water loss monitoring and take action to ensure water loss remains less than 10 percent immediately. If the water loss for the twelve month period ending December 31, 2015, is greater than 10 percent, the Company shall formulate a plan to reduce water loss to less than 10 percent, or prepare a report containing a detailed analysis and explanation demonstrating why water loss reduction to 10 percent or less is not feasible or cost effective, and shall docket in this case, no later

than January 31, 2016, either the plan, the report, or notification that its water loss has been reduced below 10 percent.

3. *Water System Analysis*

a) *Cactus Forest Water System – Public Water System (“PWS”) No. 04-08-052*

The CF water system has two (2) active wells with a total production capacity of approximately 151 gpm (217,440 gallons per day (gpd)). The water system has two (2) storage tanks with a total capacity of approximately 30,000 gallons. During the peak month, June 2014, the water system was serving 239 connections when CF reported 3,019,000 gallons of water sold. Average daily demand for the month of June 2014 was determined to be 100,633 gpd. Staff concludes that the CF water system has adequate production and storage capacity to serve the present customer base and any reasonable growth.

b) *Roosevelt Lake Estates Water System – PWS No. 04-04-036*

The RLE water system has one (1) active well with a total production capacity of approximately 63 gpm (90,720 gpd) and three (3) storage tanks with a total capacity of approximately 70,000 gallons. During the peak month, July 2013, the water system was serving 197 connections when RLE reported 1,157,000 gallons of water sold. Average daily demand for the month of July 2013 was determined to be 37,323 gpd. Staff concludes that the RLE water system has adequate production and storage capacity to serve the present customer base and any reasonable growth.

c) *North Bay Estates Water System- PWS No. 04-04-049*

The NBE water system has one (1) active well with a total production capacity of approximately 130 gpm (187,200 gpd) and one (1) storage tank with a total storage capacity of approximately 15,000 gallons. During the peak month, July 2013, the water system was serving 53 connections when NBE reported 507,000 gallons of water sold. Average daily demand for the month of July 2013 was determined to be 16,355 gpd.

The required storage and production capacities of the water system were determined from utilizing the peak month water usage figures. Based on engineering calculations, the NBE water system has a shortfall of approximately 1,972 gallons of storage capacity. Staff concludes that the NBE water system does not have adequate storage capacity to serve the present customer base and any reasonable growth. However, due to the marginal storage volume required to meet the required storage capacity, Staff recommends that Tonto Basin file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in

this proceeding, documentation from ADEQ indicating that ADEQ does not require additional storage capacity.

d) Lake Roosevelt Gardens East Water System- PWS No. 04-04-022

The LRGE water system has one (1) active well with a total production capacity of approximately 22 gpm (31,680 gpd) and one (1) storage tank with a total storage capacity of approximately 15,000 gallons. During the peak month, May 2014, the water system was serving 47 connections when LRGE reported 266,000 gallons of water sold. Average daily demand for the month of May 2014 was determined to be 8,581 gpd. Staff concludes that the water system has adequate production and storage capacity to serve the present customer base and any reasonable growth.

e) Lake Roosevelt Gardens West Water System- PWS No. 04-04-047

The LRGW water system has three (3) active wells with a total production capacity of approximately 79 gpm (113,760 gpd) and one (1) storage tank with a total storage capacity of approximately 100,000 gallons. During the peak month, June 2014, the water system was serving 370 connections when LRGW reported 2,367,000 gallons of water sold. Average daily demand for the month of June 2014 was determined to be 78,900 gpd. Staff concludes that the water system has adequate production and storage capacity to serve the present customer base and any reasonable growth.

D. GROWTH

Based on customer data obtained from Tonto Basin's Annual Reports, it appears that growth in the Tonto Basin water systems, for the past six (6) years, has been relatively flat. The number of service connections at the end of each year from 2009 to 2014 for each of the Tonto Basin water systems are tabulated in Table H. A graphical representation of the number of service connections for each Tonto Basin water system is illustrated in figure 6. According to the Tonto Basin application, no measurable customer growth is expected in the immediate future.

Table H. Actual Growth – Tonto Basin Water Systems

Water System	2014	2013	2012	2011	2010	2009
Roosevelt Lake Estates	200	196	192	199	199	198
Lake Roosevelt Gardens East	47	48	48	47	47	47
Lake Roosevelt Gardens West	370	364	360	360	344	339
North Bay Estates	55	53	52	54	56	57
Cactus Forest	239	235	236	234	240	240

E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

1. Compliance Status

ADEQ Compliance Status Reports ("CSR") indicate that the five (5) Tonto Basin water systems are currently in full compliance with its requirements.⁶ According to the ADEQ CSR's, the water systems are currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

2. Water Monitoring and Testing Expenses

In addition to Total Coliform, Lead & Copper, Disinfectant-By-Products, Manganese, and Total Organic Carbon testing, the Tonto Basin water systems are also subject to mandatory participation in the Monitoring Assistance Program ("MAP").⁷ The monitoring and testing expenses that were reviewed, evaluated, and recalculated by Staff are represented in Table I. The total estimated annual water testing expense for the five (5) water systems is \$7,309. Staff concludes that this expense is reasonable.

Table I. Water Monitoring & Testing Costs – Tonto Basin Water Systems

Water Test	Cost Per Test	Cactus Forest (04-11-052)		LR Gardens East (04-04-022)		LR Gardens West (04-04-047)		North Bay Estates (04-04-049)		Roosevelt Lake Estates (04-04-036)		Total Cost
		Number of Tests	Cost per Year	Number of Tests	Cost per Year	Number of Tests	Cost per Year	Number of Tests	Cost per Year	Number of Tests	Cost per Year	
Total Coliform	\$ 15.00	1/Month	\$ 180.00	1/Month	\$ 180.00	2/Month	\$ 360.00	1/Month	\$ 180.00	1/Month	\$ 180.00	\$1,080.00
Arsenic	\$ 16.80	1/Quarter	\$ 67.20	None	\$ -	None	\$ -	None	\$ -	None	\$ -	\$ 67.20
Lead & Copper	\$ 27.20	10/3 Years	\$ 90.67	5/3 Years	\$ 45.33	10/3 Years	\$ 90.67	5/3 Years	\$ 180.00	10/3 Years	\$ 90.67	\$ 497.34
Disinfection-By-Products (TTHM's)	\$ 80.00	None	\$ -	1/Year	\$ 80.00	3/Year	\$ 240.00	1/Year	\$ 80.00	1/Year	\$ 80.00	\$ 480.00
Disinfection-By-Products (HAA5's)	\$ 200.00	None	\$ -	1/Year	\$ 200.00	3/Year	\$ 600.00	1/Year	\$ 200.00	1/Year	\$ 200.00	\$1,200.00
Monitoring Assistance Program (MAP)	MAP	MAP	\$1,280.81	MAP	\$ 373.36	MAP	\$1,182.91	MAP	\$ 391.35	MAP	\$ 756.29	\$3,984.72
Total			\$1,618.68		\$ 878.69		\$2,473.58		\$ 1,031.35		\$1,306.96	\$7,309.26

F. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The CF water system service area is located within the Pinal Active Management Area ("AMA"). The remaining four (4) water systems, NBE, LRE, LRGE, and LREW are not located within an ADWR AMA.

⁶ ADEQ CSR's dated August 21, 2014.

⁷ The MAP is mandatory for water systems which serve less than 10,000 persons (approximately 3,300 service connections).

ADWR's Water Provider Compliance Reports dated February 17, 2015, indicate that the Tonto Basin water systems are currently compliant with departmental requirements governing water providers and/or community water systems.

G. ARIZONA CORPORATION COMMISSION COMPLIANCE

A check of the Utilities Division Compliance Section database showed that there are no delinquent Commission compliance items for Tonto Basin.⁸

H. DEPRECIATION RATES

Staff's typical and customary depreciation rates, which vary by National Association of Regulatory Utility Commissioners ("NARUC") plant categories, are illustrated in Table J. These rates represent typical and customary values within a range of anticipated equipment life. Staff recommends that Tonto Basin use the depreciation rates presented in Table J.

Table J. Depreciation Rate Table For Water Companies

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.00
320.3	Point-of-Use Treatment Devices	10	10.00
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67

⁸ Per Compliance Section email dated November 3, 2014.

340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	---	-----

I. OTHER ISSUES

1. *Service Line and Meter Installation Charges*

Tonto Basin did not propose any changes to its existing service line and meter installation charges.⁹ The proposed charges are refundable advances and are similar to Staff's typical range of charges for service line and meter installations. Since Tonto Basin may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Those charges are included in Table K listed under "Staff's Recommendations".

Staff recommends the charges listed under "Staff's Recommendations" in Table K be adopted.

Table K. Service Line and Meter Installation Charges – Tonto Basin Water Company, Inc.

Meter Size	Company Current Tariff	Company Proposed	Staff's Recommendations		
			Service Line Charge	Meter Charge	Total Charge
5/8 x 3/4-inch	\$430	\$430	\$343	\$87	\$430
3/4-inch	\$480	\$480	\$321	\$159	\$480
1-inch	\$550	\$550	\$350	\$200	\$550
1-1/2-inch	\$775	\$775	\$233	\$212	\$445
2-inch Turbine	\$1,305	\$1,305	\$582	\$723	\$1,305
2-inch Compound	\$1,305	\$1,305	\$582	\$723	\$1,305
3-inch Turbine	\$1,815	\$1,815	\$699	\$1,116	\$1,815
3-inch Compound	\$1,815	\$1,815	\$699	\$1,116	\$1,815
4-inch Turbine	\$2,860	\$2,860	\$1,022	\$1,838	\$2,860
4-inch compound	\$2,860	\$2,860	\$1,022	\$1,838	\$2,860

⁹ The Company's current charges were approved in Decision No. 62401, effective March 31, 2000.

2. *Curtailment Tariff*

Tonto Basin has an approved Curtailment Tariff on file with the Commission. This tariff became effective July 6, 2005.

3. *Cross-Connection/Backflow Prevention Tariff*

Tonto Basin has an approved Cross-Connection/Backflow Prevention Tariff on file with the Commission. This tariff became effective December 1, 2013.

4. *Best Management Practices ("BMP") Tariff*

Tonto Basin currently does not have any BMPs. Staff recommends that Tonto Basin file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, at least five (5) BMPs in the form of tariffs that substantially conform to the templates created by Staff for Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>.

Staff further recommends that a maximum of two (2) BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories. The Company may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

FIGURES

GILA COUNTY

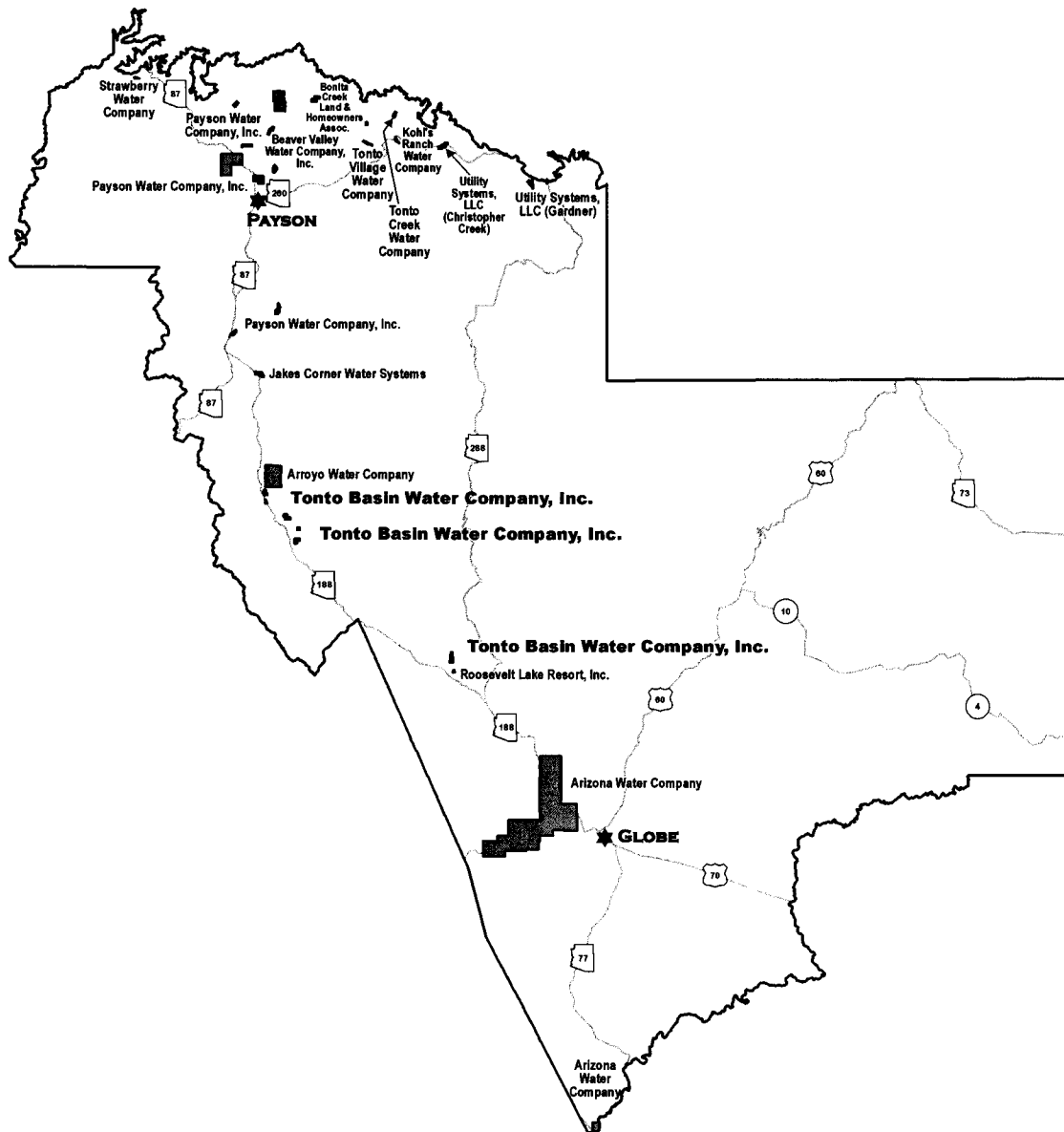


FIGURE 1 – GILA COUNTY MAP

PINAL COUNTY

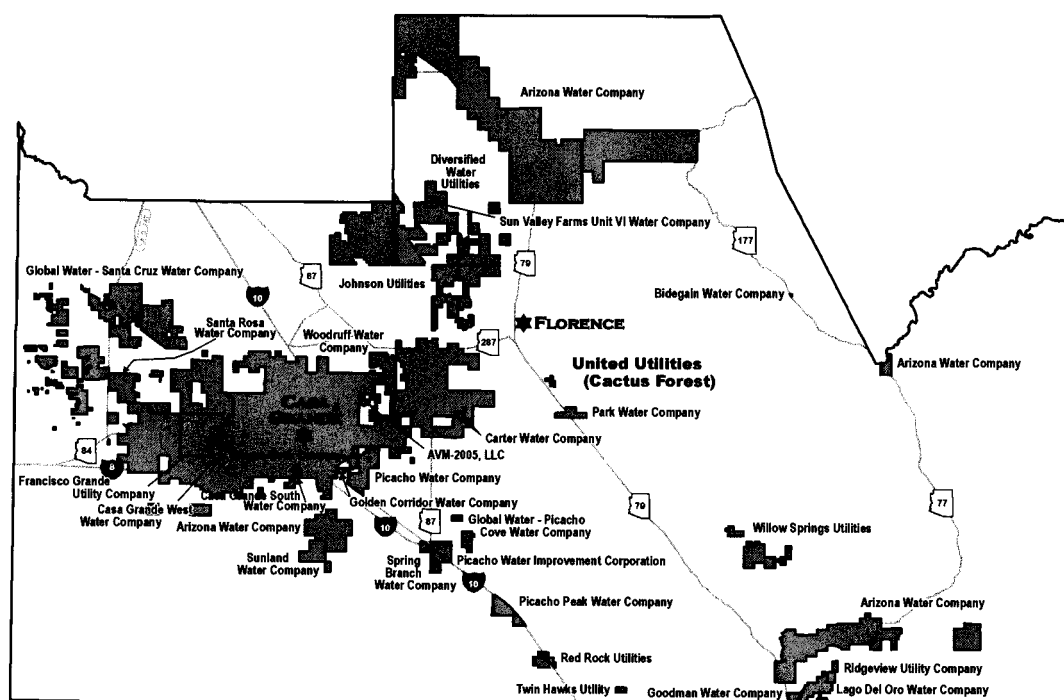


FIGURE 2 – PINAL COUNTY MAP

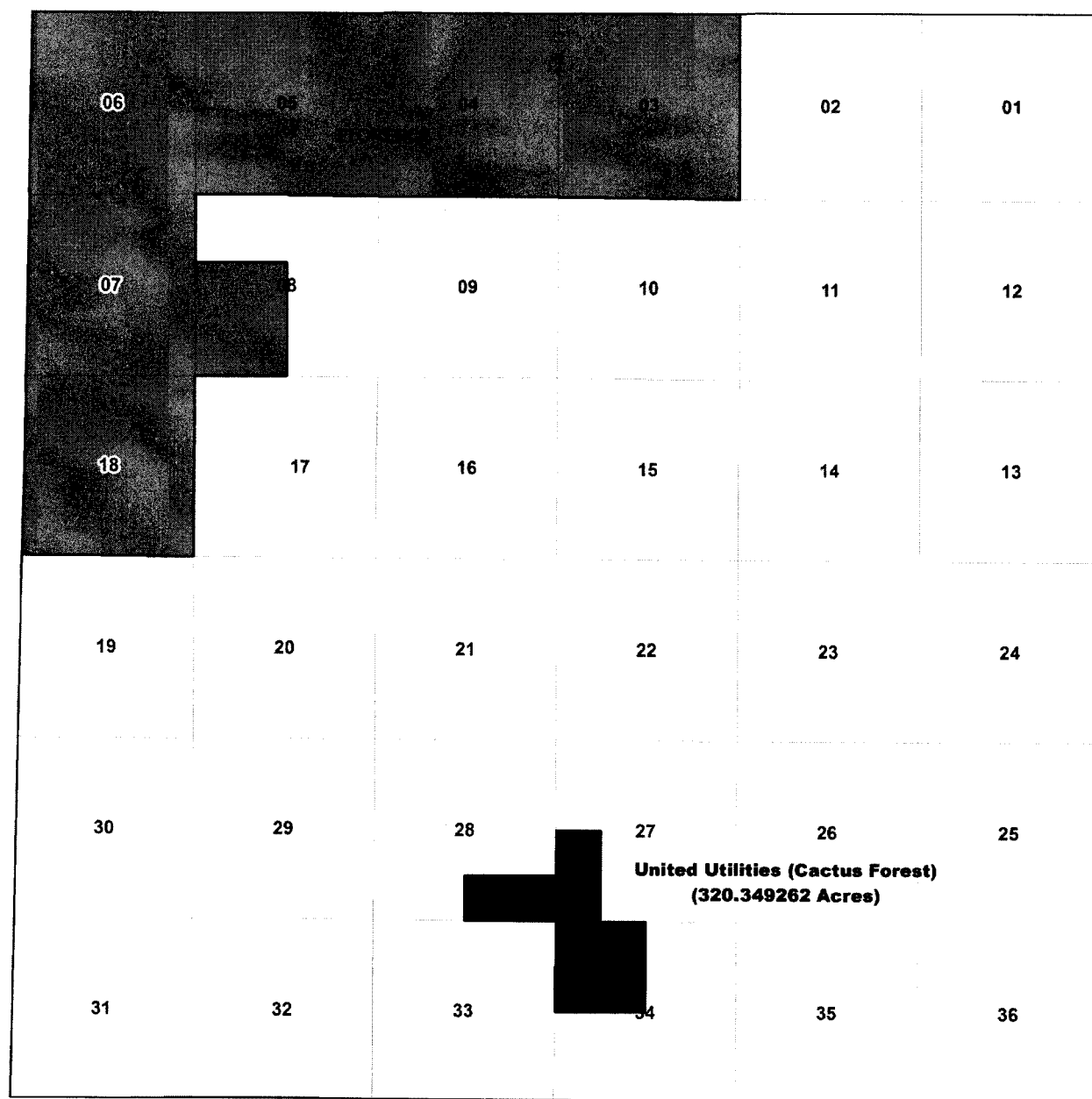


FIGURE 3A – CACTUS FOREST WATER SYSTEM CERTIFICATED AREA

GILA COUNTY

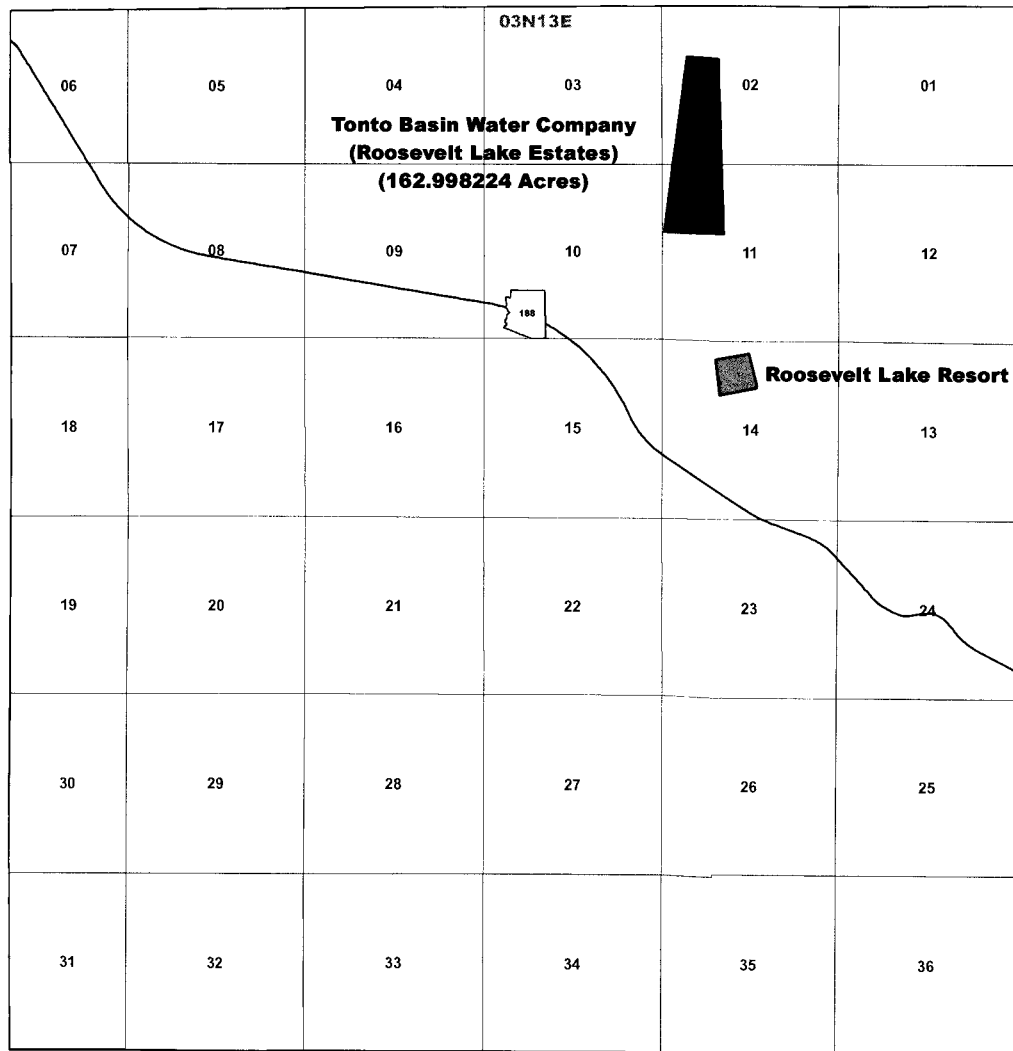


FIGURE 3B – ROOSEVELT LAKE ESTATES WATER SYSTEM CERTIFICATED AREA

G I L A C O U N T Y

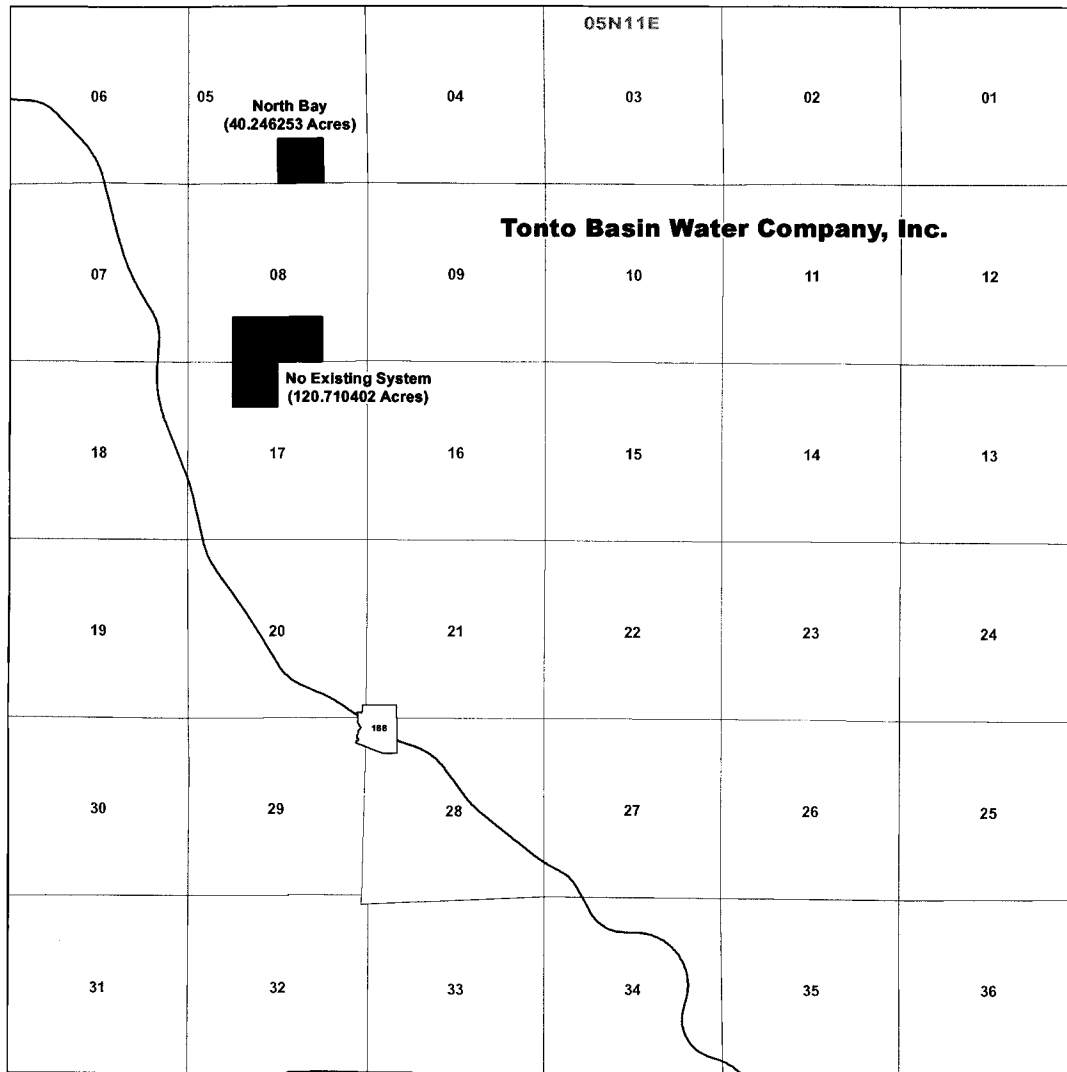


FIGURE 3C – NORTH BAY ESTATES WATER SYSTEM CERTIFICATED AREA

G I L A C O U N T Y

06	05	04	06N11E 03	02	01
07	08	09	10	11	12
18	17	16	15	14	13
Tonto Basin Water Company, Inc.					
19	20	21	22	23	24
30	29	28	27	26	25
<div> <div>24</div> <div>25</div> <div>26</div> </div> Lake Roosevelt Gardens East (140.736826 Acres) 32	33	34	35	36	

FIGURE 3D – LRGE WATER SYSTEM CERTIFICATED AREA

GILA COUNTY

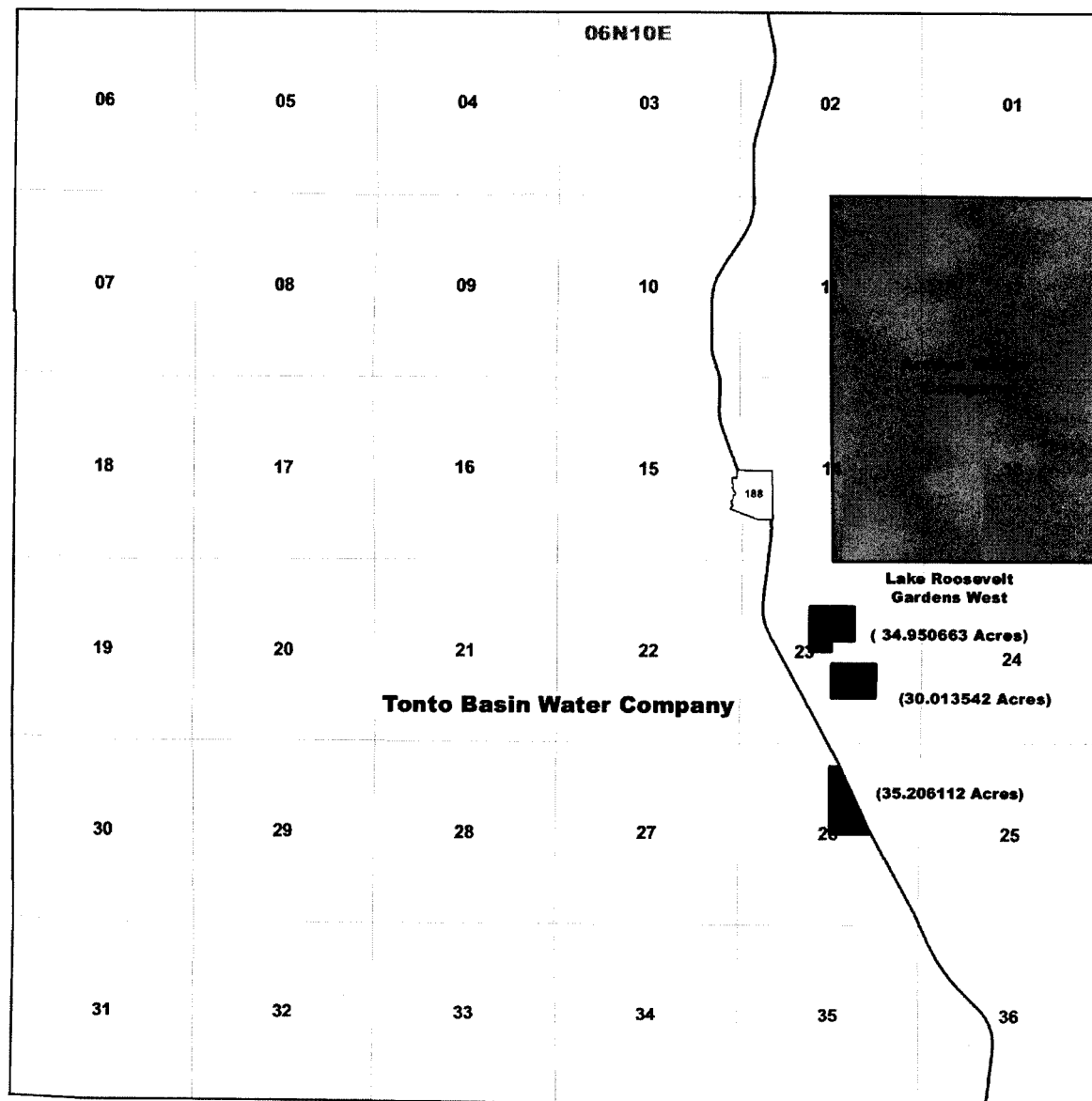


FIGURE 3E – LRGW WATER SYSTEM CERTIFICATED AREA

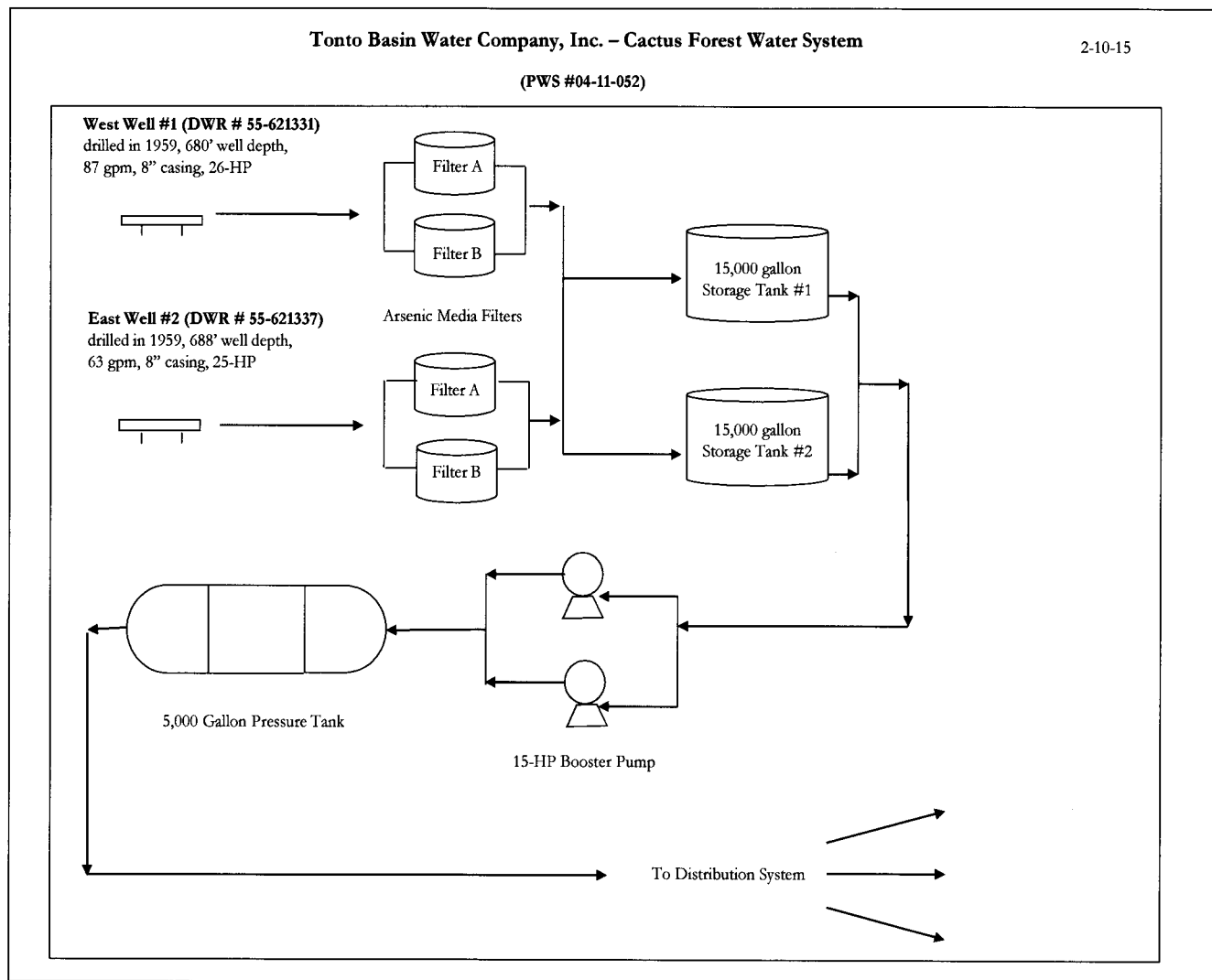


FIGURE 4A – CACTUS FOREST WATER SYSTEM (PWS No. 04-08-032)

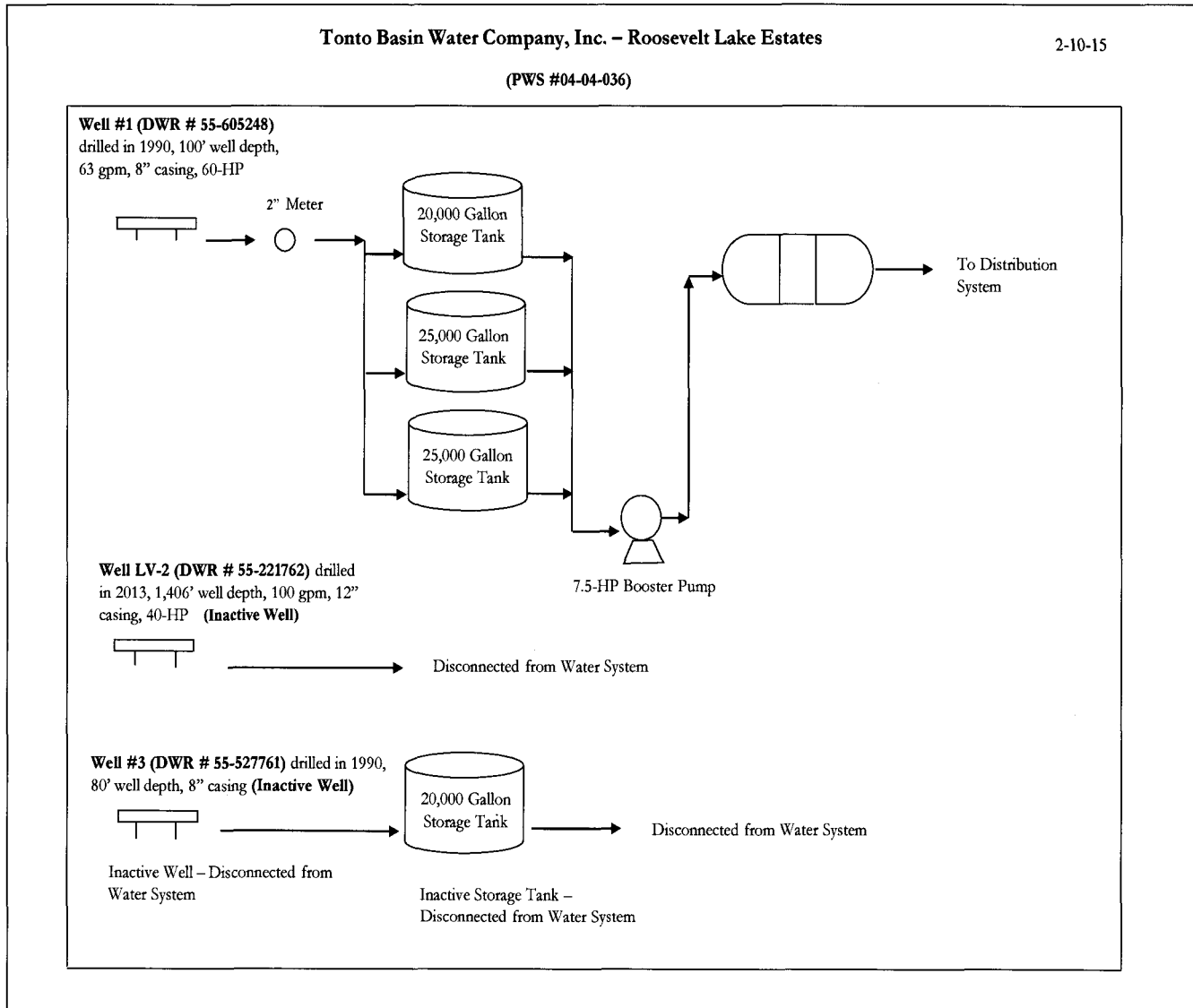


FIGURE 4B – ROOSEVELT LAKE ESTATES WATER SYSTEM (PWS No. 04-04-036)

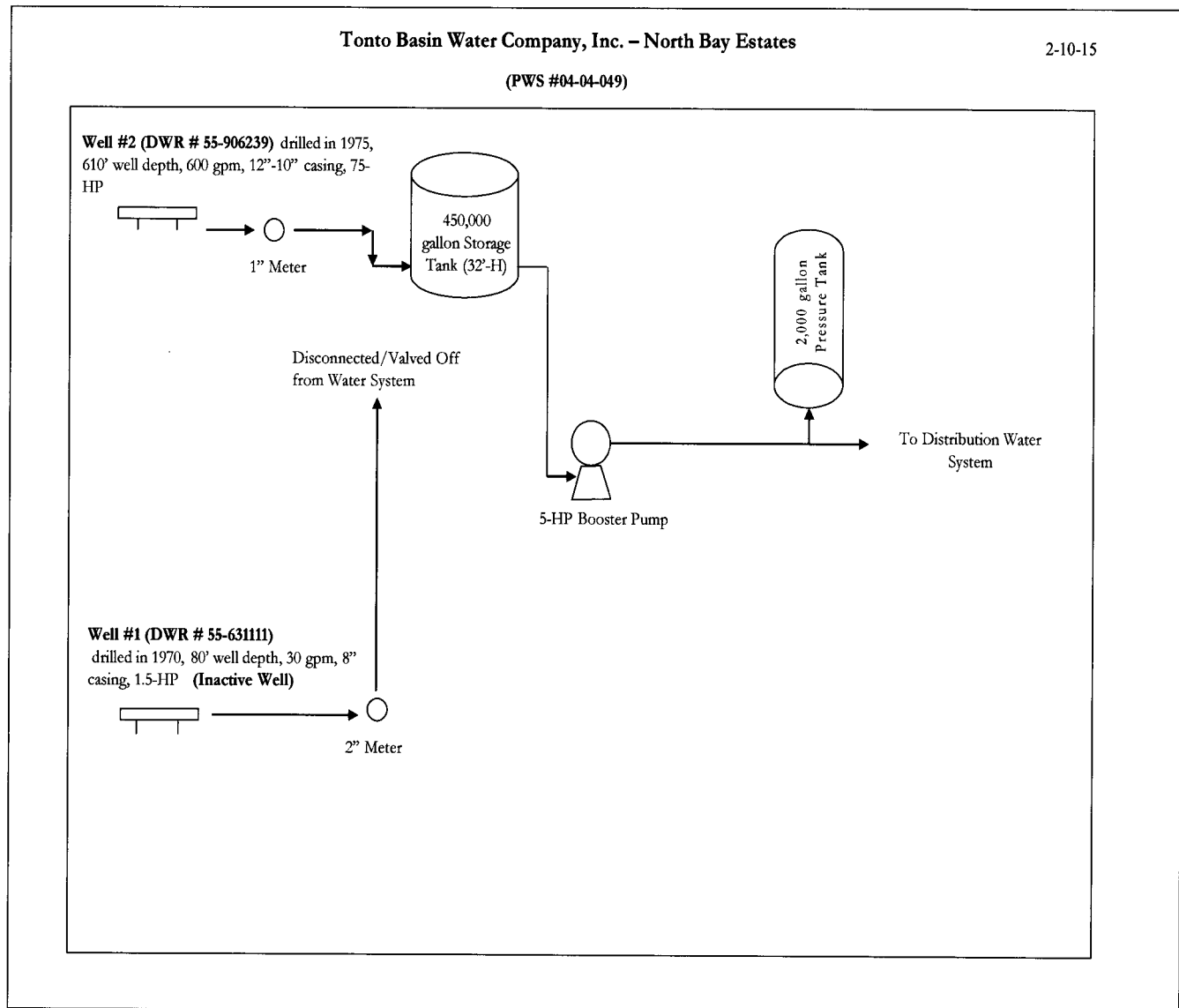


FIGURE 4C – NORTH BAY ESTATES WATER SYSTEM (PWS No. 04-04-049)

Tonto Basin Water Company, Inc. – Lake Roosevelt Gardens East

2-10-15

(PWS #04-04-022)

Well (DWR # 55-631118) drilled in 1965,
80' well depth, 22 gpm, 8" casing, 2-HP

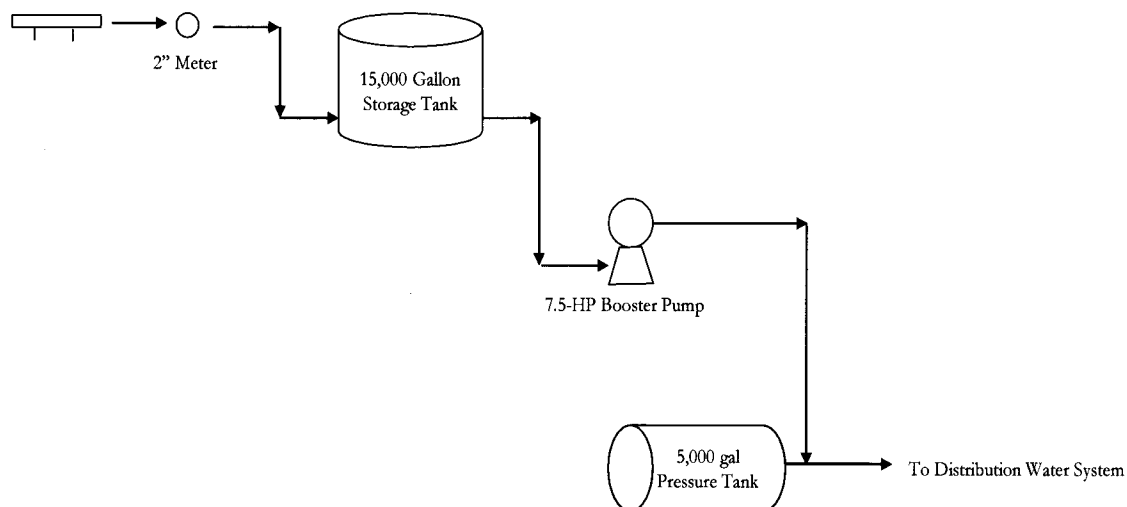


FIGURE 4D – LAKE ROOSEVELT GARDENS EAST WATER SYSTEM (PWS No. 04-04-022)

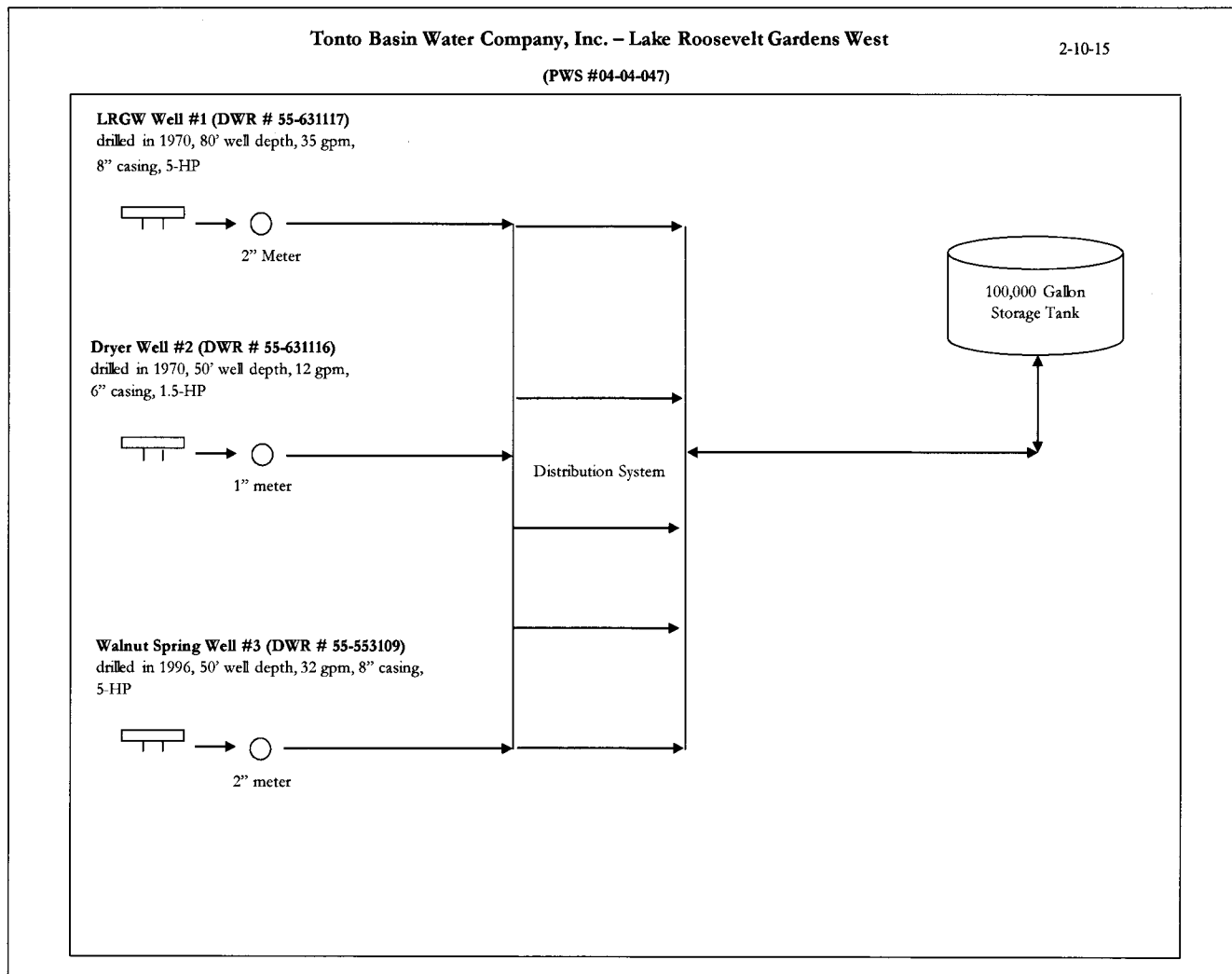


FIGURE 4E – LAKE ROOSEVELT GARDENS WEST WATER SYSTEMS (PWS No. 04-04-047)

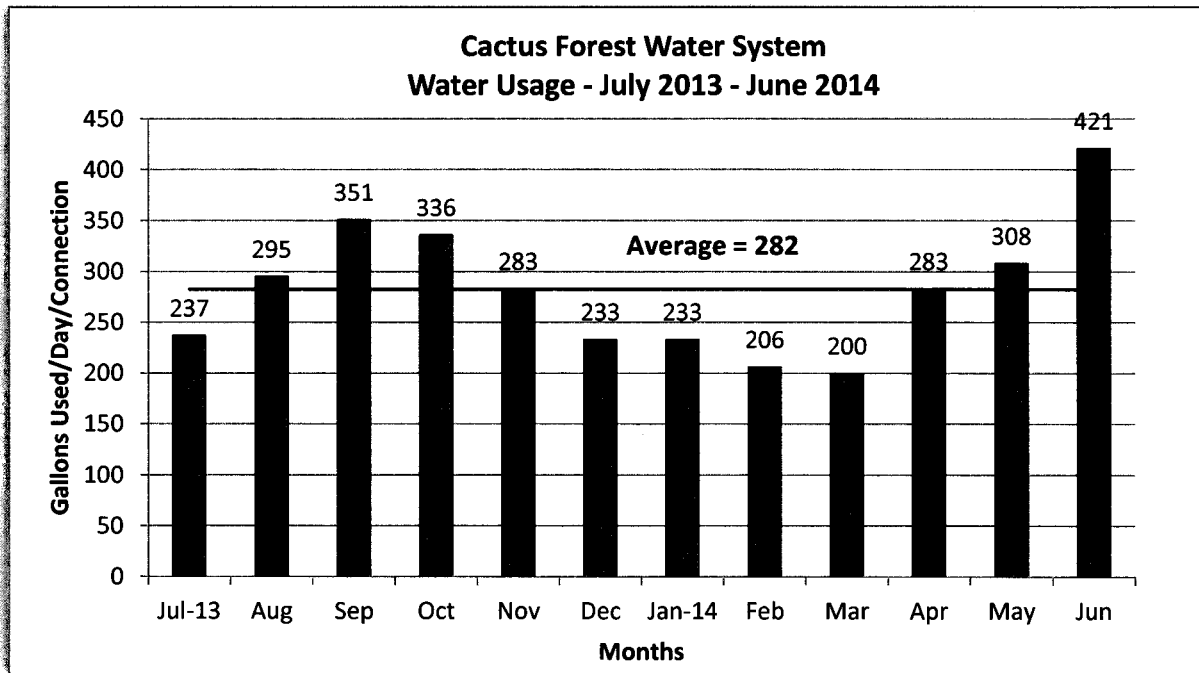


FIGURE 5A – CACTUS FOREST WATER CONSUMPTION

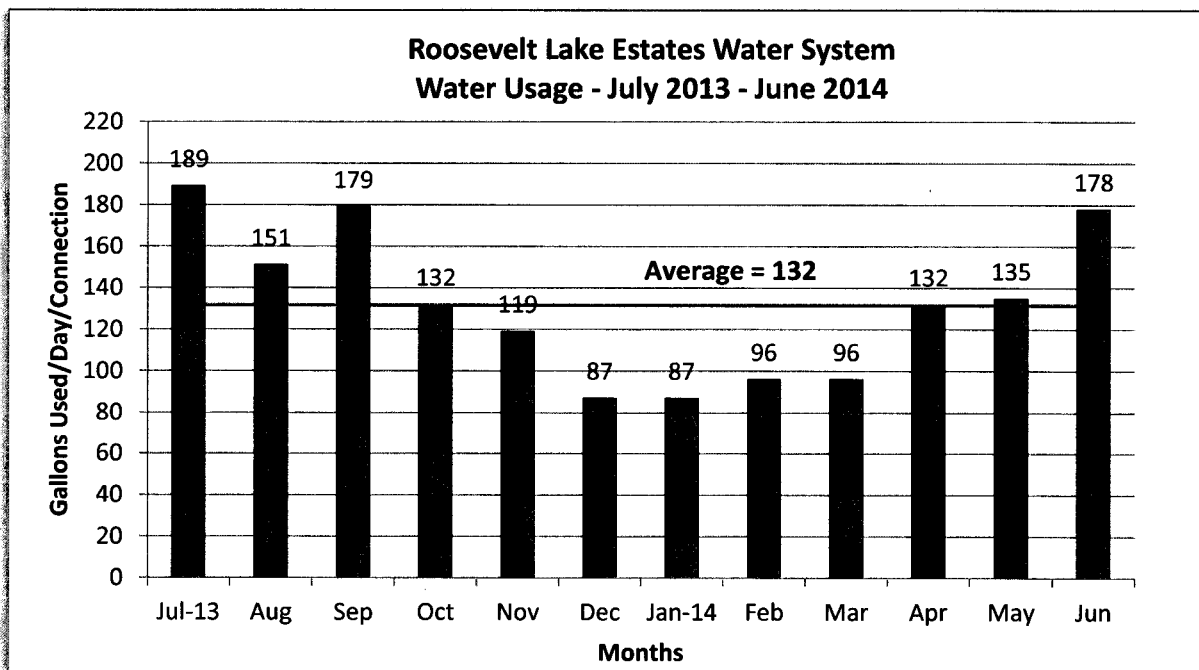


FIGURE 5B – ROOSEVELT LAKE ESTATES WATER CONSUMPTION

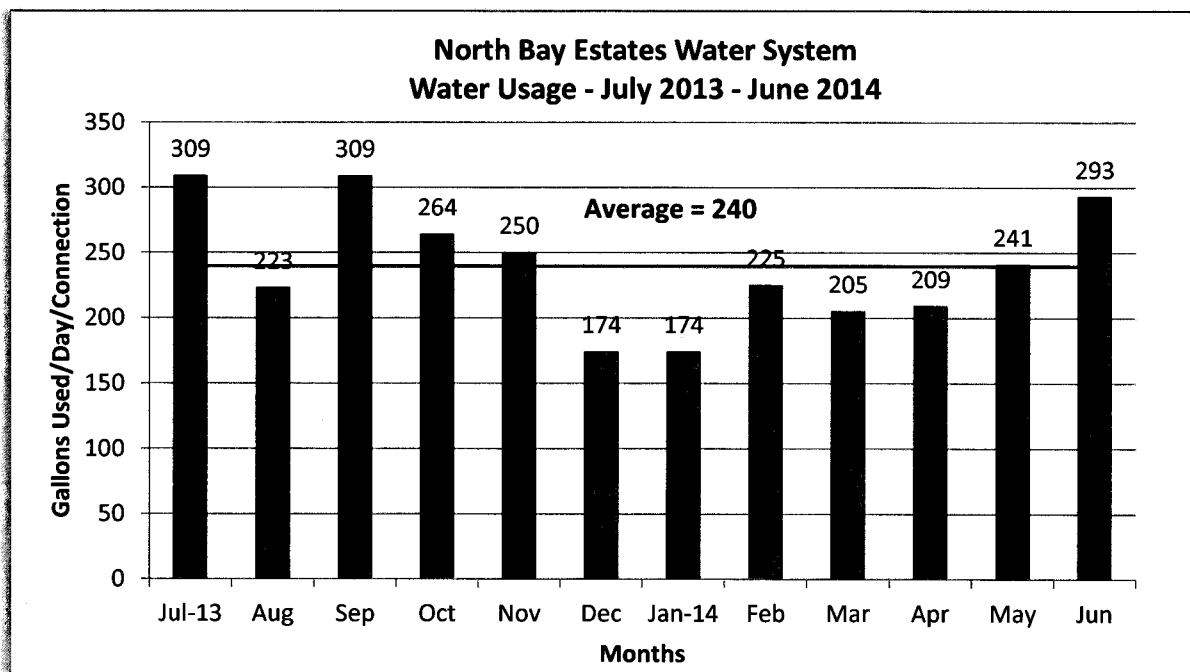


FIGURE 5C – NORTH BAY ESTATES WATER CONSUMPTION

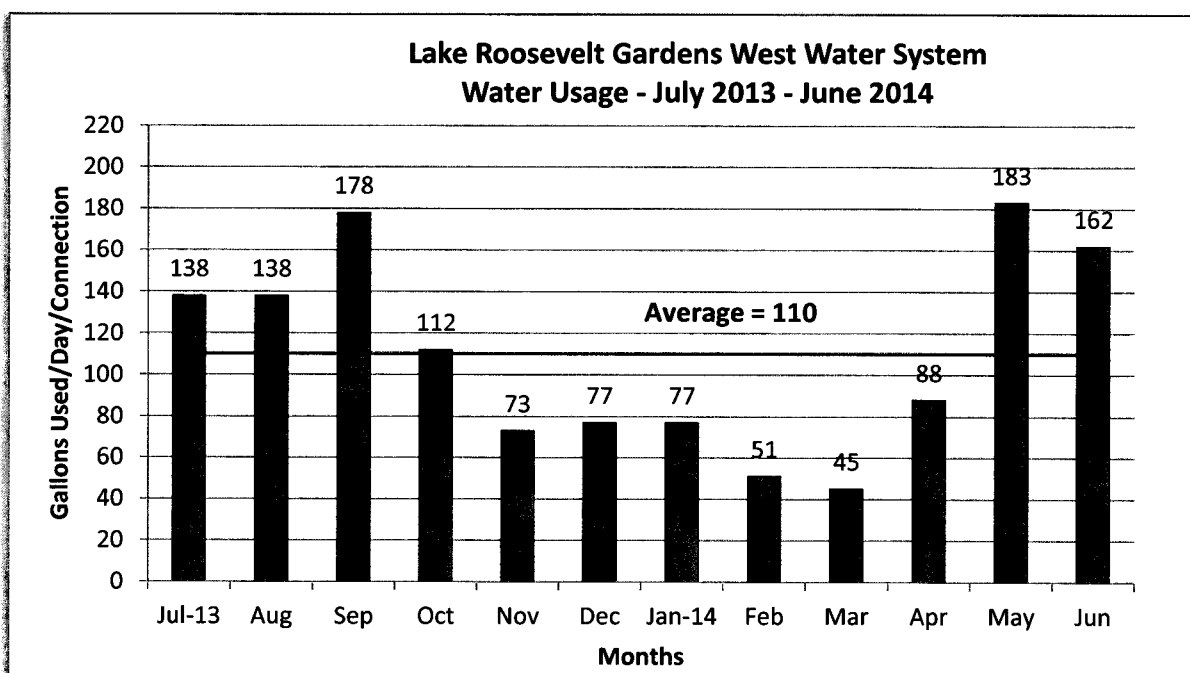


FIGURE 5D – LAKE ROOSEVELT GARDENS EAST WATER CONSUMPTION

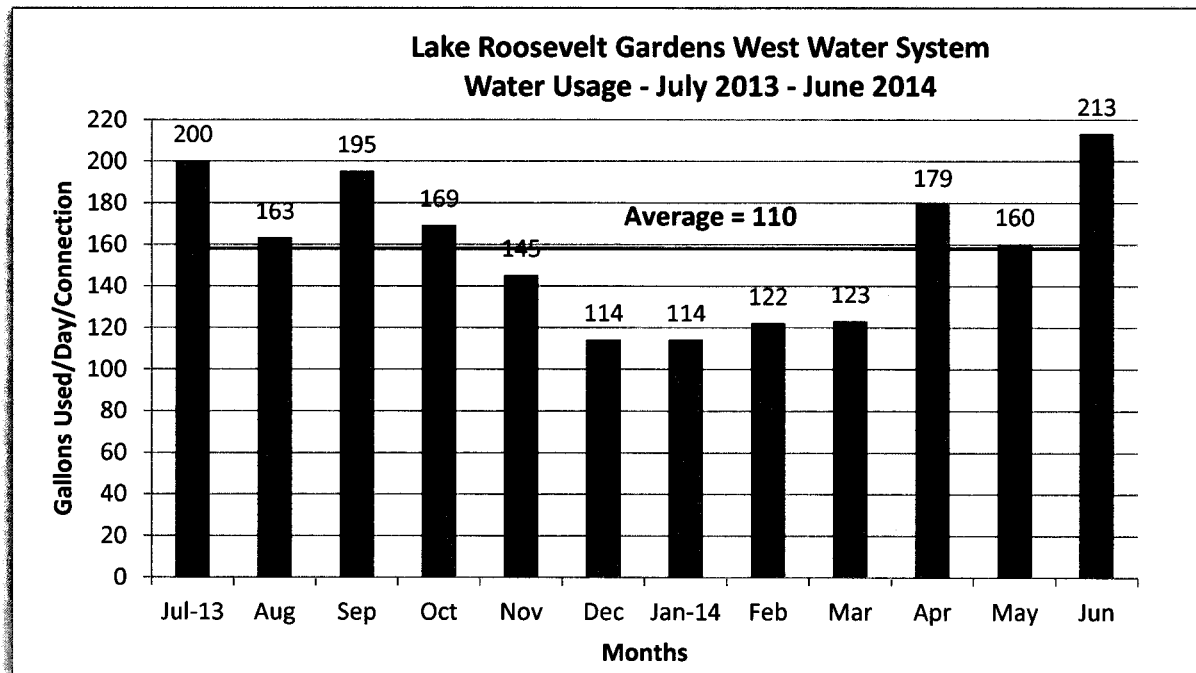


FIGURE 5E – LAKE ROOSEVELT GARDENS WEST WATER CONSUMPTION

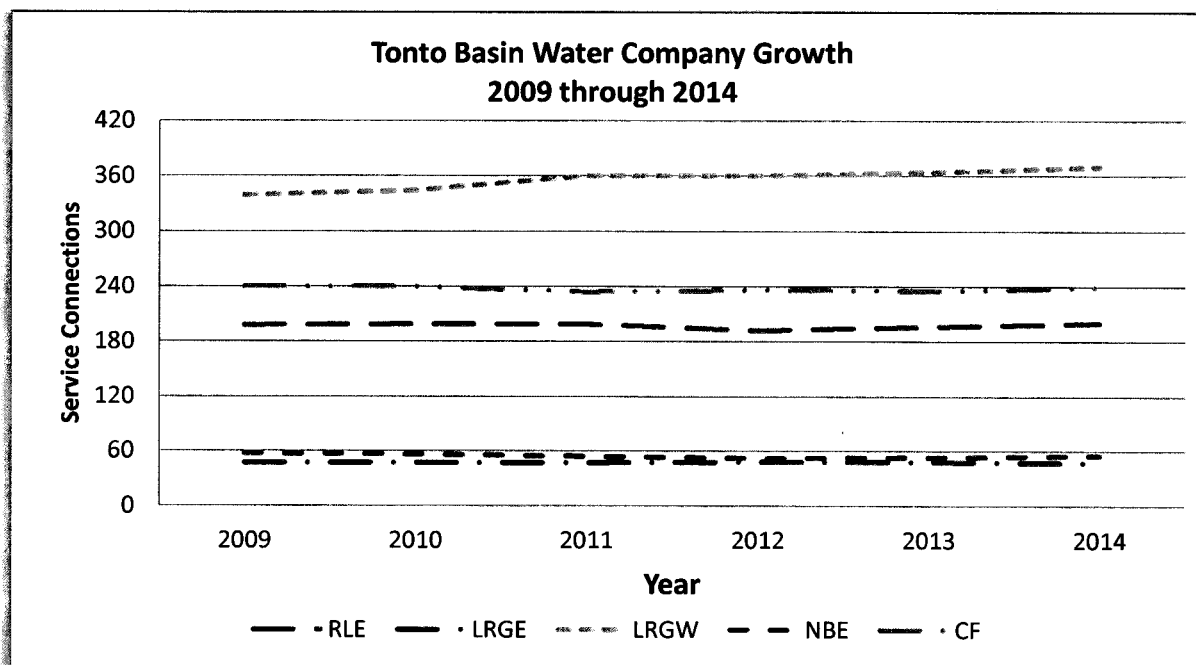


FIGURE 6 – TONTO BASIN WATER COMPANY, INC. GROWTH